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ABSTRACT

This report analyzes the effects of Proposition 13 on public education in California and offers an appraisal of what it means for other states. It reviews the political and economic factors that set the stage for a Proposition 13 initiative and describes the use of state surpluses to cushion the immediate financial effects of it. In addition, the paper assesses the first year impact on each level of public education in California and describes the construction of the second "bail out" legislation. In an assessment of the damage done by this initiative, the paper includes a prophetic warning of the lessons the California experience holds for other states and for the future of public education in a tight budget era. (Author)

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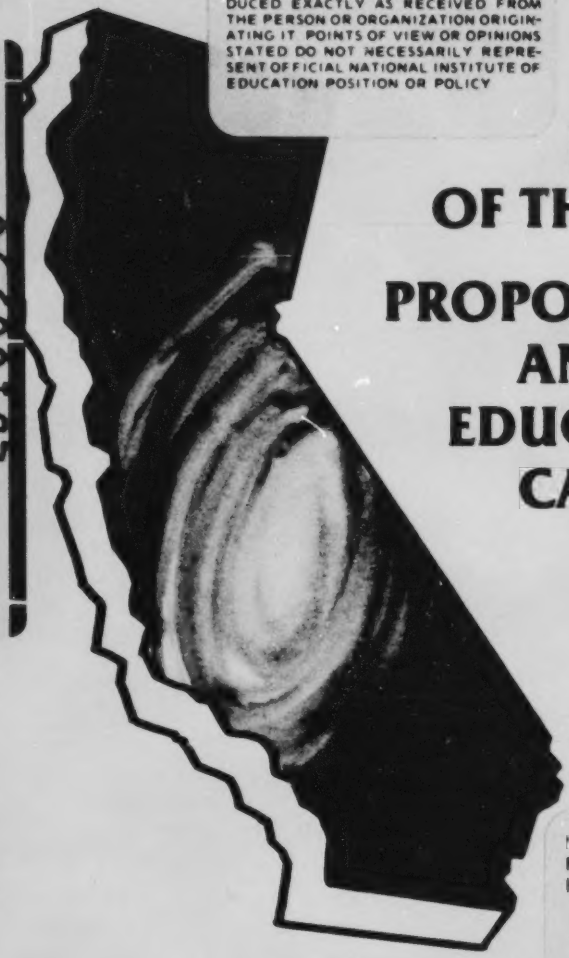
IN THE EYE OF THE STORM:

PROPOSITION 13 AND PUBLIC EDUCATION IN CALIFORNIA



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Foreword

California, for so long the golden land, the symbol of the good life, the generous provider of almost unlimited opportunities in public education and public services, now finds itself in the midst of a swirling storm. The storm was spawned in taxpayer revolt, given shape and force by voter approval of Proposition 13 and its far-reaching limitations on local and state ability to levy taxes for public services, and continues to be fed by fresh gusts of proposals designed to impose further tax and expenditure limits on California government.

As with so many other California happenings, the storm was the harbinger of a phenomenon that swept the country. The phenomenon, known as the tax limitation movement, has surfaced in some shape, fashion, or form in almost all of the fifty states. Sons and daughters of Proposition 13 appeared on the ballot in Nevada, Idaho, Oregon, and Michigan—the voters approved the measures in the first two states, and a less stringent measure in Michigan. Close or distant kin, usually in the form of a "cap" on taxes and expenditures, appeared on state ballots across the land. Some of these measures have been adopted; some have failed. Yet, the movement continues unabated. Proposals for tax and expenditure limits abound in a number of states—even Alaska, which now enjoys the largesse coming from the vast oil resources of the North Slope. Alaska's Governor has proposed returning surplus revenues to taxpayers and, at the same time, limiting increases in the annual state budget to a level no greater than inflation plus population growth.

What will all of this mean for American public education? Supporters of public education predicted dire consequences in California. Have the dire consequences come about? Has Proposition 13 had a significant impact on public education in California? Can we learn anything from the California experience?

We at IEL are convinced that much can be learned, that there are lessons that will prove useful not only to Californians but also to policymakers, educators, and citizens in other states where tax limitation proposals are in the works. Thus, shortly after the passage of Proposition 13, we began looking for a way to capture the California experience and share it with educational policymakers. We turned to two Californians—the one a top investigative journalist with *The Los Angeles Times*, the other a noted policy analyst with the School of Public Policy at the University of California, Berkeley. Our aim was to put together a team that would successfully combine the considerable skills and talents of the reporter and the researcher. We envisioned a publication that would both capture the essence of California's experience with Proposition 13 and provide a clear sense of the lessons to be learned.

Both the reporter, Don Speich, and the researcher, Stephen Weiner, responded enthusiastically to our proposal. We were able to support Don Speich's part of the effort through one of our ongoing IEL programs—The Ford Fellows in Educational Journalism. The National Institute of Education, at our urging, provided the support for Stephen Weiner's work.

Don Speich and Stephen Weiner succeeded in their undertaking. The two of them, working in tandem, have produced a first-rate report written in clear, non-academic prose that provides policymakers and other concerned citizens a comprehensive picture of what happened in California as a result of Proposition 13 and a concise appraisal of what it means for other states.

C. Philip Kearney
Deputy Director
Institute for Educational Leadership
May 1980
Washington, D.C.

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Don F. Speich
Stephen S. Weiner

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Preface

This is a biography of a storm and the impact of that storm upon a set of social institutions. The storm is Proposition 13, the confluence of several economic, political, and psychological forces now popularly embraced by the title of an initiative amendment to the California Constitution. The set of social institutions is the publicly financed schools and colleges in California.

Our account is necessarily incomplete. First, while we recognize the central importance of the impact of Proposition 13 upon teaching, learning, and research, we have not systematically interviewed a sample of students, teachers, and school and campus administrators. What we say about this topic is based on knowledge we have developed in the course of our professional roles.

Second, while we hope that many students, educators, and officials within California will attest to the veracity of our story, this work is directed not to them but to a national audience of their contemporaries in other states. We have tried to address the need for information and interpretation that heavy media coverage of Proposition 13 has generated among those concerned with educational policy in other states. Therefore we have omitted many details, such as descriptions of school finance formulas, that are of vital importance to educational policy in California but are of limited interest elsewhere.

Third, and most important, the story continues to unfold even as we complete our work. The winds of change continue to blow and the future may well bring a greater rearrangement of the educational landscape than we

describe here. Two or three decades are ordinarily required to gain proper perspective on significant historical change, and we expect the same to apply in this case.

We have relied primarily upon interviews with state legislators, state officials, leaders of each segment of public education in the state, and local school and college administrators. (Several interviewees requested anonymity, and we have respected those requests.) We have also drawn upon important data collected by others, including the statewide surveys of the first-year impact of Proposition 13 conducted by the State of California Department of Education, the Office of the Los Angeles County Superintendent of Schools, and the Chancellor's Office of the California Community Colleges. We gratefully acknowledge the cooperation of the University of California systemwide office, the Chancellor's Office of the California State University and Colleges, the California Department of Finance, and the Office of the Legislative Analyst.

The impact of Proposition 13 upon public education in California cannot be properly understood without some knowledge of the evolving context that shaped the state's schools and colleges in the post-World War II era. This is the subject of Part 1 of this report.

Nor is Proposition 13 an overnight phenomenon. It is, in many ways, an outgrowth of political and economic changes first discernible some fifteen years ago. Part 2 examines these changes and goes on to describe the campaign for Proposition 13.

The use of the state surplus to cushion the immediate financial effects of the initiative is described in Part 3. Part 4 assesses the first-year impact of Proposition 13 on each level of public education in California. Part 5 describes the construction of the second "bail-out" legislation for public education.

In the concluding Part 6 we assess the damage wrought by Proposition 13, offer our own assessment of the lessons to be learned from the California experience, and speculate on what lies ahead for public education in California in the 1980s.

I

The Gathering Clouds

Growth, New Priorities, New Doubts

Seen through the misty and wistful lens of an austere present, the early 1960s now seem to have been the halcyon era of seemingly limitless growth in American education. It was a heady time, and nowhere more so than in California, where the combined effects of the baby boom, an expanding economy, and a generous state government made even the most fanciful educational visions seem possible.

Enrollments in kindergarten through the twelfth grade grew from 1.6 million in 1950 to 4.1 million in 1965. Enrollment in the state's community colleges, the University of California (UC) and the California State University and Colleges (CSUC) jumped from almost 200,000 in 1950 to well over one million by the early 1970s. To accommodate this burgeoning school population, hundreds of new elementary and secondary schools sprang up across the state, and new university and college campuses were constructed. In the late 1950s, when unseemingly competition among the public segment for money and prestige appeared to threaten legislative support for higher education, a group of educators and politicians hammered out the Master Plan for Higher Education, a stunningly successful division of labor for instruction and research that would be emulated widely outside the state and increasingly revered within it.

The cornerstone of the plan, enacted into state law as the Donohoe Act of 1960, was a guarantee to the people of California that anyone who wanted an opportunity to pursue a college education would get it. The linchpin of the

master plan was a network of two-year community colleges with open admissions and no tuition. The state colleges in turn would be open to all students who graduated in the top third of their high school graduating classes, as determined by grades and test scores. The university, the oldest and most prestigious segment of the state's higher educational system, would admit the top eighth of the high school graduates.

Many now recall the 1950s and the early 1960s as a problem-free time when public education "got what it wanted." In fact, the situation was more complicated, and the first portents of later troubles were already evident.

In terms of money, education was indeed very much in the black; the worries were not fiscal. On the other hand, there were an increasing number of conflicting views about how the money should be spent and to what degree educators should be trusted to make decisions. In retrospect these disagreements, largely between elected officials and educators, constituted the embryonic stages of a public distrust of educators that would be fed, first by student unrest and civil disobedience, and later by declining test scores, violence in the schools, and youth unemployment. Education was falling far short of the lofty goals of social reform and individual mobility up the socio-economic ladder. The resulting disillusionment seemed little tempered by the social and individual benefits attributable to education.

One of the early danger signals that educators ignored at their peril was a sudden downturn in the birthrate. Those relative few who were aware of the slowdown in the birthrate at its early stages were inclined to dismiss it as a temporary, inexplicable phenomenon that would quickly reverse itself. Wishful thinking partly accounted for this response, but educators were also preoccupied with other, more immediate concerns.

In 1957 the Soviet Union launched the Sputnik satellite, a scientific achievement that dealt a serious blow to the American ego. Americans do not like to be in second place. So, in a double-pronged move aimed at pushing the country into its more-accustomed position of first place and ensuring that it stayed there, money was poured into the American space program (an economic boon to California, since many of the aerospace industries were located there) and into education.

Along with the money for education came widely supported efforts to strengthen the academic (and particularly the scientific) core of the curriculum from the elementary grades through college. This was a more or less backhanded boost to education—the implicit message being that when entrusted to educators public education failed to produce the brain power needed to send the United States into outer space first. Moreover, the threat of Sputnik strengthened the position of liberals in Sacramento who had

become increasingly critical of the policies of professional educators. Yet this skepticism and criticism was offset by the millions of dollars the state educational system was receiving to create new programs and to expand old ones. All things considered, it was a happy time to be an educator.

The Reagan Era

One of the most significant turning points for education in California was the inauguration of Ronald Reagan as governor in 1967. Reagan certainly had not caused the conflicting social expectations, the controversies over racial segregation, and the period of student unrest that had beset California public education in the years just prior to his election; before his election educators (particularly officials of the university) could rest comfortably in the knowledge that Edmund G. (Pat) Brown, Sr., was a friendly presence in the governor's office. Reagan, on the other hand, had emphasized skepticism about the public sector in his campaign and had specifically promised to "clean up the mess" in the university. He thus became an influential symbol of an erosion of the public's adulation for public education. As governor he appointed members of important state governing bodies in education and wielded the enormous budget-item veto power held by California's chief executive.

A period of new trauma was signaled by the departure of University of California president Clark Kerr a few months after Reagan's election. There was no doubt that the new governor wanted a new president of the university. More important, a majority of the UC regents appointed by previous governors had become convinced that the widely admired Kerr had to go if the university were to recover its public standing. When Kerr asked the regents for a vote of confidence, they declined, and Kerr was in effect fired.

Many California educators viewed Reagan's ascension to power as the beginning of an educational dark age (an overreaction, we now see, in light of Reagan's actual policies). Morale plummeted in the educational community, and this had its own independent effects. Reagan did initiate his "cut, squeeze, and trim" approach to government spending, which by and large meant smaller annual increases in state support for education. In spite of educators' fears and their immediate distaste for Reagan's budgetary actions, however, the educational edifice remained standing and relatively strong after eight years of his administration. Given the public's increasingly negative attitude about education (higher education in particular) when Reagan took office, it is important to note that Reagan never reduced the flow of state money to education to the degree that public opinion might have permitted.

ELEMENTARY AND SECONDARY EDUCATION: CONTROVERSY AND CHANGE

Ronald Reagan had less impact on California's public schools than did a combination of factors arising from the needs and expectations of various social groups.

First among these were new tugs on state resources from the new or expanded services demanded by increasingly powerful special interest groups or by the populace as a whole—welfare, health care, and environmental protection, to name but a few. Each service competed with education for the state dollar. Even with this stepped-up competition, however, elementary and secondary education continued to fare rather well, particularly in terms of the total dollars Reagan and the Legislature, as well as the federal government, were willing to spend on it.

The second development was that categorical aid programs in education were receiving proportionately more money than at any time in the past. These programs were initiated by the state and were designed to improve the educational opportunity of students with special needs. Under state law, money allocated to local school districts for such programs was not to be used for "routine" operational costs such as regular teaching salaries, supplies, or maintenance of physical plants. During the initial phase of the categorical aid boom in the early 1960s, such restrictions were of little concern. Enrollments had not yet turned downward. After the enrollment decline began, however, the tight restrictions on categorical aid became more irksome to some educators at the local district level, as well as to a growing number of legislators faced with the fiscal limitations of a new era. It was not easy to eliminate categorical programs and use the money thus saved to meet other educational needs: by the time the enrollment and fiscal picture had changed, each of the categorical programs had built up strong, vocal, and well-organized constituencies, whose desires were not easily dismissed by legislators anxious to avoid creating opposition to their re-election bids.

The infusion of money into new categorical programs was a mixed blessing in yet another, perhaps more significant, way. New programs were often accompanied by probably naive expectations that a well-funded system of education could eradicate the troubling and complex social ills that surfaced in American society in the middle and late 1960s. Many of the scores of new programs developed and then installed in the schools dealt with minority students, others addressed the social needs of the mentally and physically disabled, and educationally or economically deprived, and the gifted.

The programs were financed by millions of new dollars from both the state and the federal government. In 1966–67, for example, federal aid in

California schools totaled $217.7 million, most of which was directed toward special programs. By 1976–77 federal aid had almost tripled, jumping to $644.3 million. State allocations to these programs grew at a similar rate.

The categorical programs involved a swarm of parent committees that were required to "sign on" (volunteer to participate), "sign off" (approve applications for state and federal funding), and provide "input." The school site reform strategies, spearheaded by State Superintendent of Public Instruction Wilson Riles, followed in the wake of the categoricals. "School site reform" was designed to provide money to implement plans for improvement drawn up at each school by administrators, teachers and parents within broad state guidelines that required individualization of instruction and parent participation. These included Early Childhood Education and the School Improvement Program. The more knowledgeable parents and staff, as well as state education officials and some members of the media, followed the evaluation of these programs with interest. The interest turned into dismay as both positive and negative evaluations were attacked as defective or wrong-headed and as each side in every programmatic controversy marshalled a corporal's guard of Ph.D.'s to argue about experimental design, test scores, and biased findings.

School finance inequities became a source of both reform and discord in 1971 when the California Supreme Court made its renowned decision in *Serrano* v. *Priest*. Declaring education to be a "fundamental interest," the court found that where local variations in spending for elementary and secondary education were based on district wealth they violated the California Constitutions. The *Serrano* decision was hailed as a great advance by school finance theoreticians and advocates of equal educational opportunity, and triggered a debate about whether state school finance mechanisms should force the richest districts to receive less ("leveling down") or should pump more money into the poorest districts ("leveling up"). The debate was immediately complicated by the fact that the poorest children were not concentrated in the districts with the weakest property tax bases. (San Francisco is a prime example of a "rich" district with many students from low-income households.) Since legislatures find it easier to give than to take away, the pre-dominant legislative response in California became, not surprisingly, "leveling up." This response pleased educators, by and large, but it also meant significant increases in spending for elementary and secondary education, even in the absence of a public consensus that the schools deserved more money.

Desegration also had an enormous impact on the public schools. Black communities in California vigorously pursued desegregation for the first decade after the 1954 *Brown* v. *Board of Education*. Then internal schisms arose as some black groups began to tire of resistance from elements in the

white community, to resent the mistreatment that was directed at their children in some white schools, and to suspect that it might be easier and more effective to trade away their desegregation for more resources in the schools within the black community and for more blacks on the professional staffs of the public education system.

The Chicano community stood at the edge of the desegregation controversy, unsure about what would be best for its children. Major organizations within Chicano neighborhoods, never as strong or as cohesive as their black counterparts, seemed ever more inclined to press for bilingual and bicultural education.

For most California parents, regardless of racial or ethnic identification, the net result of the desegregation controversy was confusion and a measure of disruption. They did not want their children to be pawns in a struggle, no matter how virtuous the proclaimed goal, and they were angry that the schools had let it all happen.

Declining Enrollment

Beginning in the Reagan administration, continuing through the Brown administration, and having nothing to do with either of them, the factor that has had the most significant impact on California education is declining enrollment. The impact has been both fiscal and psychological: fewer students ultimately means less money, and less money means no new facilities, and little increase in jobs and new programs.

After eighteen consecutive years of growth, enrollment in kindergarten through the eighth grade dropped for the first time in 1969, declining by almost 8,000 students. By the fall of 1978 there were 457, 544 fewer students in the first eight grades statewide than there had been ten years before. In the years following 1968 the decline gradually enveloped the state's high schools and is now being felt in the colleges and universities.

Some of the state's counties, such as Orange and Ventura, have yet to experience a decline, but they are the exceptions. Far more common is the experience for all of Southern California, where between 1967 and 1979 about eighty-five schools were closed because of declining enrollment.

In California virtually all the noncategorical state aid to local school districts is based on enrollments in the regular school program; growing enrollments mean more money from the state, shrinking enrollments generally mean less. This is an important fact to understand when attempting to assess the impact of Proposition 13 on education. In the inevitable rush to make such an assessment, many people in the media and not a few in education placed the responsibility for austere post-Proposition 13 budgets at the

feet of the tax limitation initiative, when, in fact, declining enrollments played an equal, if not more important, role.

The confusion is somewhat understandable. Theoretically, those schools with enrollment declines should have experienced significant drops in the amount of aid they receive from the state in the mid-1970s. However, the Legislature, for a variety of reasons, adjusted the state funding formula to allow districts to keep temporarily a portion of the money they would have been entitled to had enrollment not dropped. Under the formula, if a school lost one student, for example, the first year it would receive 75 percent of the money it would have been entitled to if the students were there. The second year it would get 50 percent, and the third year, finally, none of it.

As it turned out, the passage of Proposition 13 coincided with the year many districts were, for the first time, to receive no state money for students they had lost two years before. The grace period was over. So, in the fall of 1978, because of a shortage of dollars, teachers were laid off in certain districts. In most cases, however, the culprit was declining enrollments, not Proposition 13.

FORCES AFFECTING HIGHER EDUCATION

By the time the declining birthrate finally confronted higher education in the 1970s, California's system of public postsecondary education had become the largest in the nation, consisting of more than 130 campuses serving well over one million students.

Moreover, the three public segments—the University of California, the California State University and Colleges, and the California Community Colleges—accounted for 90 percent of the state's total postsecondary enrollment, whereas nationally the comparable figure was 79 percent.

Even with the slowdowns and declines in enrollment growth and the fiscal stringencies imposed by Ronald Reagan, Jerry Brown, and Proposition 13, state money for higher education almost doubled between 1974 and 1979. In 1974, state support for higher education was $1.45 billion. By 1979, the first year after the passage of Proposition 13, that amount had increased to almost $2.5 billion, including a special $260 million appropriation from the state surplus for the community colleges to make up for the money lost when local property taxes were curtailed. It is safe to assume however, that the increase would have been considerably more if enrollments had continued to grow at the rapid pace of the 1960s.

Enrollment in higher education actually continued to grow (although at a much slower rate than before) throughout the early 1970s, reaching a peak

in 1975–76, with a total higher education enrollment of 1,125,169 full-time students. Beginning in 1976–77, the numbers started to decline, dropping initially to 1,072,504 and then continuing downward annually to the present 1979–80 figure of 1,028,251.

The decline occurred largely in the category of students ages eighteen to twenty-four. Partly as a result of this trend, the California State University and Colleges and the community colleges began an effort to attract older and usually part-time students to their campuses. The University of California, which to date has been less affected than CSUC by the decline in students ages eighteen to twenty-four, has done much less than the other two segments to attract part-time clientele.

The drive for the part-time student was so successful that by the fall of 1977 part-time students comprised 71 percent of the 1.5 million community college students and nearly 30 percent of the 239,895 undergraduate state university and college students. In contrast, only 7 percent of the University of California's 89,908 undergraduate students in 1977 were part-time.

THE UNIVERSITY OF CALIFORNIA: SYMBOLIC TARGET

Academically excellent and proud, the University of California is the crown jewel of California public education. To those within it, and to not a few outside it, the university is at once elitist and egalitarian. It is elitist in the sense that only the best high school graduates are granted admission, and egalitarian because, theoretically, the best high school graduates are not determined by political, economic, or social status but by academic achievement in the first twelve years of school.

With the advent of Ronald Reagan, the university, which generally had prided itself on being officially passive in all earthly matters except the pursuit of knowledge, found itself being wrenched between a conservative governor and a liberal-leaning legislature, between left-of-center students and a conservative, corporate-minded board of regents.

Until the mid-1960s, the history of the university was one of meeting and mastering the problems of growth. The university's leadership had succeeded in convincing both the citizenry of the state and state officials that a first-rate university was an essential ingredient in making California a first-class state. Even with great public and political support, however, the path of development during the university's first century was hardly problem-free. Money was not always readily available to realize each new academic advance. Moreover, the university was not free from ideological disputes, as the loyalty oath fight of the early 1950s so painfully demonstrated.

But the university's march toward greatness was never denied, the pressure for new campuses was accommodated, and the soundness of allowing the university to manage its own affairs was rarely questioned. The university was not a social institution at the focus point of intense political conflict. All that, of course, changed in the social activism of the 1960s.

Social Upheaval and Political Conflict

What the new social conflict over the university signaled—and this is critical to understanding what followed—is that the cream of the state's youth, motivated and energized first by the Civil Rights Movement and then by the Vietnam War, were dissatisfied not only with American society in general but with one of the most revered institutions of the state, the University of California. Student unrest in no small way was a rejection of the best thing an older generation had to offer its brightest children.

Conservatives, led by Governor Reagan, lashed out at the university. If university officials wouldn't put their own house in order then the conservatives would do it for them. Clark Kerr's departure as president was the first sign of a crackdown. The regents, influenced by Reagan and his appointees to the board and taken aback to the public revulsion against student disorder, decided there had to be a limit on the faculty's prerogatives to select its own colleagues, and the board fired Angela Davis as a UCLA lecturer. The National Guard was summoned to stop massive demonstrations over "People's Park" in Berkeley. When people thought of Berkeley they now thought of tear gas and nightsticks and long hair and jeering, red-faced students.

Liberals in the Legislature generally aligned themselves with the university during the initial years of the Reagan administration, believing that the university deserved support in fending off the perceived attack from the right. But as the intensity of the assault waned, some liberals in Sacramento began taking a hard look at the alleged causes of student unrest at the university. With the help of organized groups as willing guides, liberals found the culprit: irrelevancy. The university, previously believed to be the defender and perpetuator of liberal, democratic ideals, was perceived as being fraught with irrelevant responses—or worse, no responses—to a terribly troubled society. This had to change, and the liberals decided it was up to them to make the changes.

Erosion of UC's Autonomy?

An institution that in the past had, with a few exceptions, been generally left alone to pursue its own traditionally accepted visions of what a univer-

sity should be now found itself in a no-win situation. The era of unquestioned autonomy was over, for behind both the liberal and the conservative response to student unrest was an underlying belief that university administrators and faculty had failed to do their jobs, had not lived up to their part of the bargain. Over the years the state had been generous with the university, had given it millions upon millions of dollars. Along with the money had gone a trust, a contract, that the university would continually work to perpetuate itself as the crowning educational achievement of an enlightened state. The well-paid, trusted faculty and administrators had allowed the dream to be trampled, or even worse, thought some conservatives, had encouraged the trampling. Many within the university thought this was a bum rap. In fact, many faculty members and administrators considered themselves betrayed by the politicians in Sacramento, hungry as always for an expedient solution to a complex problem.

This is not to say that during the late 1960s and early 1970s the university was without influential friends in Sacramento. Some of the Legislature, mostly liberal Republicans and centrist Democrats, although troubled by student unrest and repelled by campus violence, were not predisposed to blame university officials for it or to assert a new legislative role in making policy for the university. Change within the university might be called for, but this cadre of moderates from both parties feared that imposing rapid change could seriously, if not irreparably, damage the delicate mechanism of the university. Through their persuasive ability to effect compromises, these moderates were able to blunt the most naked attempts at stripping away the university's autonomy.

Still, each compromise left a residue of resentment on every side. Legislators who had been involved in the process of compromise, or who had witnessed it, were upset either because the university had not been fully responsive or, on the other hand, because the university did not fully defend its principles. University officials cried foul any time they felt even a hint of political intrusion from Sacramento into their policymaking processes.

The realization gradually dawned on university officials that regardless of who was in power—liberals or conservatives—their judgments and policies were being subjected to ever closer scrutiny. Heading off such intrusions required an increasing amount of time, energy, and persistence. University officials, including some liberal and conservative members of the board of regents, became increasingly angered at the unrelenting efforts to limit the university's constitutionally granted autonomy. The Legislature and the executive branch, however, whether controlled by Reagan or by Brown, viewed questions about programs and justifications for new faculty positions as legitimate attempts to make the university accountable for its expenditures of state funds.

The Budget Struggle

The battle between "accountability" and "autonomy" was waged through the one issue that brings the state government and the university together annually: money. For a variety of reasons—not the least of which were increasing demands on state resources by other expanding state programs—a year after Reagan became governor the university began receiving far less money from the state than it thought it needed.

Beginning with Reagan and continuing through the first term of Brown, the governor was a fiscal conservative who in the final analysis, believed that the university was just one of many state agencies, deserving no more financial, moral, or political support than any of the others. The university was not used to such treatment.

After taking office, Reagan quickly cut the university's request for money. The numbers tell the story. In 1964–65 the university received 98.9 percent of the money it asked from the state. In 1966–67 it received 97.1 percent. In 1967–68, however, the first year Reagan was governor, the university received only 83.4 percent of its request. That was the low point. During subsequent years the percentage received by the university crept back up to the low nineties—including the year immediately preceding the passage of Proposition 13, when the university received 94.3 percent of its request.

Even though Reagan did cut the requested budgets, at times substantially, he never during his eight-year tenure as governor gave the university less money than it had received from the state the year before. In fact, he always gave it more. When this fact was realized, long after Reagan left office, it did little to bolster the public opinion of educators who had talked only of the devastating budget "cuts" when Reagan was governor.

Another trend that began during Reagan's administration continues to be enormously disturbing to university officials and, they believe, represents a very real threat to the university's academic excellence. The threat is posed by the state's refusal under Reagan and Brown to give faculty members what university officials believe to be adequate annual salary increases.

To date the university's numerous Nobel Laureates and other distinguished scholars have made no mass exodus to other institutions. Some have left, but not many. The fear that this will ultimately occur remains, however.

CALIFORNIA STATE UNIVERSITY AND COLLEGES

The Syndrome of the "Second Best"

The sense of being neither appreciated nor respected that took root in the University of California in recent years also exists in the California State

University and Colleges. Although budget and salary constraints play a role in CSUC, the frustration also is a result of CSUC being relegated to the number-two position in the state's three-tiered system of publicly financed higher education. It's like always coming in second, never having the chance to be first, and—worst of all—knowing it was planned that way.

The state university system does not have the constitutional autonomy enjoyed by the University of California. Therefore it is very much more under the thumb of both the Legislature and the governor. Additionally, the system, unlike UC, gets a line-item budget from the state. Among other things, this means that money from the state is earmarked for a specific program and therefore can be used in no other way. The university enjoys far more discretion in its internal budget allocation. For example, when the governor or the Legislature refuses to fund a particular program, the university can use funds from other sources to finance it. That this practice tends to infuriate policymakers in Sacramento has only mildly constrained the university from following it. In any case, the CSUC system does not have this option; it either gets the money from the state or it doesn't begin or continue a program.

The System, the Budget, and Collective Bargaining

Although some campuses were established long before the turn of the century, the California State Colleges (as they were called until 1971) were not formed into an organized system until 1960. The CSUC system was a product of the Master Plan for Higher Education, while the University of California was a centrally administered system long before the master plan. The plan took what had been seventeen largely independent state colleges (many of them upgraded teacher's colleges), each one funded separately by the state, and placed them under the control of a central state college administration and a board of trustees. Thus a new bureaucracy was established.

Even with its accessibility to the fiscal planners and policymakers in Sacramento, the state university and colleges have done reasonably well by the state. CSUC has been given increases in state support comparable to those given UC. During the period of rapid growth in CSUC enrollment in the sixties and early seventies, new campuses were added (there are now nineteen), and new programs were funded; and, even though it suffered some turbulent student unrest (at San Francisco State University, for example), the CSUC system was never subject to the intense criticism from the political right and left experienced by the University of California.

The CSUC system has not been overjoyed with its budgets from the state, however. It has been even less happy with the faculty salary increases

it has received. Since the early years of the Reagan administration, the CSUC faculty—like the faculty at UC—believes it has lost substantial ground to inflation.

Along with other important factors, such as persistent bickering between the system's faculty and the central administration, relatively modest salary increases prompted the beginnings in the late sixties and early seventies of a push for collective bargaining. At first the idea was espoused by only a few, liberal faculty organizations. But as increasing inflation over the years diluted more and more of a faculty member's former purchasing power, even the more conservative faculty groups joined in the efforts to persuade the Legislature and the governor to enact a law authorizing collective bargaining. Reagan, the corporate-minded conservative, would not hear of it. Brown, however, who counts labor unions among his supporters, embraced the idea. During the 1978 legislative session he approved a bill that authorizes collective bargaining in the state university system as well as at the University of California beginning in 1980 (the community colleges and the public schools had earlier received such authorization). Whether collective bargaining will appreciably affect the salary situation remains to be seen. Not in doubt, however, is the significance of a faculty virtually united behind a concept that once seemed unthinkable to the professional ranks of higher education. It means, for one thing, that years of perceived neglect by the public and its leaders has taken a toll that may forever change the relationship between one institution of higher learning and the people of the state it is supposed to serve. Collective bargaining, in short, is a manifestation of the realization that the public and its representatives can no longer be trusted to pay voluntarily the price needed to maintain past standards of faculty salary. It ends one era and begins another—an era based on the hope that give-and-take across a bargaining table can accomplish what seemed automatic in prior years.

In attempting to assess the impact of Proposition 13 on the California University and Colleges, in both fiscal and psychological dimensions, it is important to understand that long before Jarvis-Gann was even a blip on the radar screen CSUC felt neglected and somewhat sober about the future.

Adding to this feeling was another important element over which nobody seemingly had control: declining enrollment. Like the public schools before them, the state university system was beginning to lose students. As the drop continued, it would invariably mean even less money from the state. This in turn would probably lead to a cutback in educational courses and programs. And all of this might well lead to layoffs of tenured faculty for the first time in the system's nearly twenty year history. All this added up to a gloomy forecast, even without Proposition 13.

THE COMMUNITY COLLEGES

The "Junior" College

Along with the land-grant university, the community college is the distinctive American contribution to the world of higher education. The premier state system of community colleges is found in California. California's community college network is the largest and, many (especially Californians) would argue, the best.

In 1907 the California Legislature authorized the offering of "postgraduate" coursework by high schools. Ten years later, sixteen high schools were offering such courses and the "junior" college was born. By 1937, forty-two junior colleges were in operation, serving 52,000 students. By 1960 enrollment had increased to 340,000 in sixty-six colleges, one third of which were still governed by high school or unified school districts. In the past twenty years, forty new colleges have opened and approximately one million students have been added to the enrollment total. Instruction is now also offered in 2,700 off-campus "outreach" centers. All the colleges, now termed "community" colleges, are now organized into separate districts, each governed by a locally elected board of trustees.

Until 1967 the state policymaking body of the community colleges had been the State Board of Education (the state board also had jurisdiction over the state colleges until the adoption of the 1960 master plan and the creation of a separate board of trustees.) The community colleges smarted under state board control because they felt they had "second class" status, and feeling frequently reinforced by the belief that the board, more interested in the affairs of the public schools, was inattentive to their problems. So in 1967 the Legislature created a state board of governors for the community colleges. Very limited power was granted to the new board, however, in order to preserve the prerogatives of the local districts.

Different Missions, Different Students

In the past two decades the function of the community college has evolved and the nature of the student body has changed dramatically. The junior college specialized in providing lower-division courses whose completion enabled the student to transfer to a four-year campus, normally as a junior. Typically, the student was a recent high school graduate on his or her way to a baccalaureate degree. The community college still performs the transfer function, but it is increasingly viewed as a place to obtain vocational training in a dizzying array of fields, from welding to dental hygiene, from gunsmithing to cosmetology. The community college also offers a variety of

continuing education or adult education courses. Offerings range from English as a second language to the purely recreational. The typical community college student is now older—almost thirty years old, on the average—and attending college on a part-time basis.

If enrollment growth is taken as a measure, the community college can justifiably claim that they have responded to local community needs. A variety of factors account for this responsiveness. Among these is the fact that state community college finance formulas, which contributed slightly less than 50 percent of the cost of instruction in the average district before the passage of Proposition 13, historically rewarded the community colleges on the basis of attendance. Thus the community colleges could count on more state money when a new student enrolled. The community colleges' money flowed automatically from the state, while UC and CSUC had to slug their way through the annual legislative budgetary review process.

Finance, Macrame, and Controversy

The community colleges experienced little of the disruption that bedeviled the Berkeley campus of UC in the 1960s. One result was that they were exempt from the resulting public and legislative displeasure. Until the early 1970s the path of the community colleges was one of steady growth, expanding functions, and unswerving public support during both Democratic and Republican administrations. As total state and local expenditures for colleges reached $1 billion per year, however, political and fiscal strains began to emerge.

Historically, community college finance in California has been based upon a tuition-free system (almost the last in the nation), with equalized state sharing of district costs based on district property wealth and enrollment. Prior to 1973, increases in local revenues were derived from growth in property values within state imposed limits on local tax rates. A major policy change in 1973, Senate Bill 6, shifted this system of local tax rate control to one of limits on the combined state and local revenues, based on enrollment. The state share of the community college costs was increased from 34 percent to 42 percent.

In 1975 both the Legislature and the relatively new Brown administration were stunned by a California Department of Finance projection that additional community college enrollment, most of it by part-time students, would cost the state an additional $50 million in the next fiscal year. Matters became more controversial when it was pointed out that some of the new enrollment would come in non-credit courses such as "Potty Training in Less Than a Day," "Men's Barbershop Chorus," and "Wine Country

Tour," all of which were viewed as a questionable drain on state education funds.

Not surprisingly, these developments resulted in negative publicity for the community colleges, as well as for the adult education programs of local school districts. Governor Brown, himself a former trustee of the Los Angeles Community College District, had found a target he could attack with relish. He spoke frequently during a several-week period of how the state was paying money for part-time students, many of whose most difficult classes, he would say with impish delight, were in macrame.

The media, by now thoroughly enamored with this seemingly unorthodox and iconoclastic young governor, loved it, and spread the governor's message across the state in newspaper headlines and television news programs. Almost overnight, the community colleges were under siege as yet another negative example of how public tax money was being misspent.

Largely lost in this media blitz were explanations from community college educators that they were using the excess money generated in part-time instruction to augment their regular programs, which were losing money because of declining enrollment, and that the controversial "recreational courses" comprised only two percent of total course offerings.

In any case, to check this growth in adult education, Brown and the Legislature put a 5 percent cap on the number of additional students in adult education courses in high schools and on total community college enrollment in 1975–76. The full cost of new enrollment beyond the 5 percent ceiling would have to be met entirely by local property tax revenues or by student fees.

The cap was at best an awkward instrument. It tended to hurt districts in parts of the state that had growing populations and to penalize low-wealth community college districts (which received a high proportion of state aid under the equalized finance formula) more than high-wealth districts. It placed constraints on state funding for the entire community college program when only a portion of the non-credit offerings had been called into question.

The cap was replaced in 1976 by Senate Bill 1641, which returned the colleges to a modified version of local tax-rate control and introduced a new technique of state sharing of college costs that was designed to reduce the fiscal incentives for growth.

The changes in finance formulas signaled that the community colleges had entered a period of political and fiscal turbulence at the state level, albeit several years after comparable forces had begun to have an impact on UC

and CSUC. While the community colleges were continuing to enjoy growth in enrollment, they discovered, through the defeat of a 1976 state bond referendum for community college construction, that the public was beginning to share the Legislature's discomfort at the cost of the enterprise. They were not prepared, however, for new shocks that would soon follow Proposition 13.

II

The Wind Called Jarvis-Ganns

Economic Policy by Petition

Initiatives to change the economic relationship between state government and the people through amending the state constitution are nothing new in California. In the 1930s the Townsend Plan, and Upton Sinclair's End Poverty in California (EPIC), took advantage of the constitution's provision allowing amendments to qualify for the ballot through voter petition. In 1948 lobbyist George McLain succeeded in qualifying a new pension scheme for the ballot. The voters accepted it, but once they realized its full implications they repealed it the following year. Several tax and spending limitations qualified for the ballot in the 1960s and 1970s; all these initiatives failed. Proposition 13 was another in a long tradition of grass-roots campaigns. Unlike its immediate predecessors, however, it was successful.

Rising Residential Property Taxes

Clearly, California voters were angry about property taxes in 1978. One major reason for escalating residential property taxes was inflation in housing prices. The Federal Home Loan Bank Board indicates that between 1973

Part 2 draws heavily from Frank Levy, "Understanding Proposition 13," *The Public Interest* number 56 (Summer 1979): 66–89. Other sources are Richard A. Brody, "Who Voted for Prop. 13?", *Taxing and Spending* 2 (February 1979): 26–28: and James Catterall and Thomas Thresher, *Proposition 13: The Campaign, the Vote, and the Immediate Aftereffects for California Schools* (Palo Alto, Calif.: Stanford Institute for Research on Educational Finance and Governance, 1979).

and 1977 housing prices in the Los Angeles and San Francisco metropolitan areas were increasing at an average rate of 14 to 15 percent per year, a rate much higher than in the rest of the nation.

County tax assessors in California are elected. Therefore they might have been expected to avoid high rates of growth in residential assessments by reducing the ratio of each home's assessed value to its market value, by allowing the assessment ratio for business and industrial property to rise, and by reassessing property less frequently. In the wake of a 1965 assessment scandal in San Francisco, however, the Legislature had removed all three forms of discretion from the hands of county assessors. The resulting 1967 state law required the assessment of all property at 25 percent of market value and mandated frequent reassessment. (This action by a reform-minded Legislature unintentionally helped set the stage for a massive repudiation of the Legislature only a decade later.)

In fact, residential property had previously received preferential treatment by most county assessors. The assessment "reform" caused a property tax shift to residential property, and the inflation in housing prices kept the assessments on the "up" escalator.

Attempts at Tax Reform

In 1968 Los Angeles County Assessor Phillip Watson succeeded in placing an initiative on the ballot that would have reduced revenue from the property tax. The Legislature and Governor Reagan responded by proposing that the first $750 of the assessed value of an owner-occupied home be exempt from taxation. The voters approved the Legislature's proposal and defeated Watson's initiative.

In 1970 the California Teachers' Association qualified an initiative that would have expanded the homeowner's exemption, but that also would have expanded the state's share of welfare and education expenditures. Taxpayer groups opposed the initiative and it was buried at the polls. In that same year a little-known lobbyist for apartment-house owners in Los Angeles failed to qualify a tax limitation initiative. The lobbyist was Howard Jarvis.

Watson was ready to try again in 1972. He proposed a reduction in local property taxes, but this time he specified a series of state taxes that would be increased to replace the lost local revenue, and urged that uniform school-district spending limits be established to deal with the California Supreme Court's 1971 decision in *Serrano v. Priest*. Opposition came from those who opposed higher state taxes (especially the liquor and tobacco industries) and those who would be hurt by the changes in educational finance. Watson's initiative lost by a two-to-one margin.

As it had done four years earlier, the Legislature responded to Watson's initiative. Senate Bill 90 expanded the homeowner's exemption from $750 to $1,750, gave a small income tax credit to renters, put limits on city and county tax rates, and established varying expenditure limits for elementary and secondary schools and for community college districts. The cost of the bill was financed by increases in the state sales tax.

One year later Governor Reagan succeeded in placing yet another tax reform measure on the ballot. Reagan's proposal contained limits on local taxes, required a two-thirds majority for approval of new state taxes, and forbade total state expenditures from increasing more rapidly than state income. After a vigorous campaign, liberals and various lobby groups defeated the Reagan plan at the polls with 56 percent of the vote. Five years later, in the wake of Proposition 13, the Reagan plan would seem much more attractive to the liberals.

As noted earlier, the inflation in housing prices, property tax assessments, and property tax bills began in earnest at about the time that Reagan's proposal was being defeated. In 1973 the owner of a $47,500 home in the Los Angeles Unified School District paid a total property tax bill of slightly more than $1,000 per year. By 1977, that tax bill doubled.

In 1976, Watson tried another initiative. It failed to get on the ballot, as did another proposal sponsored by Paul Gann, a retired Sacramento realtor.

Of course, local governments could have mitigated the effects of higher assessments by lowering the property tax rate. Between fiscal 1974 and fiscal 1978, however, the average combined property tax rate declined by only 5 percent.

At first glance, these facts might indicate that local governments were reaping a bonanza at the expense of overburdened homeowners. During the period of rapid assessment increases the growth rate of local government was slightly less than 10 percent per year, a bit higher than the general rate of inflation, but much lower than the burgeoning increases in home prices and tax assessments. How could homeowners be in such pain at the same time that local government was growing at no more than the general rate of inflation? One major reason was that owner-occupied, single-family housing accounted for only one-third of the property tax rolls. The balance, mostly commercial property, was increasing in value at a rate almost 50 percent less than that for owner-occupied homes. Furthermore, many units of local government derived less than one-half their revenue from property taxes.

It was understandable, however, for homeowners to assume that the rate of increase in their property tax bills must equal the rate of increase in local government spending and that there must be "fat" in government that

could be cut. In a sense, they were right—but the "fat" was accumulating mostly in a state government surplus fueled not by property taxes but by state income and sales tax.

The Legislative Impasse

Proposition 13 might well have been averted had the Legislature and the governor been able to agree on a state measure to reduce local property taxes, yet the Legislature adjourned in September 1977 without having accomplished that feat. The major obstacle had proven to be disagreements over who should benefit most from property tax reduction and uncertainty about the size of the state surplus available to finance property tax relief.

The Legislature had tried. At the end of the summer 1977 a legislative conference committee has reported a reform bill that would have returned $4.7 billion in state revenue to taxpayers over five years. Some feared that the bill would ultimately force an increase in state taxes, and Republicans were displeased that higher-income families weren't receiving more relief. The Assembly passed the bill overwhelmingly but the Senate balked. The last-minute revisions secured majority support in the Senate, but failed to win the necessary two-thirds vote.

Twice before, in 1968 and 1972, the Legislature had responded to popular discontent over property taxes and undercut support for initiative constitutional amendments on the subject. In 1977 they failed. One crucial difference between 1977 on the one hand and 1968 and 1976 on the other hand is that Legislators run for re-election in even-numbered years, not in odd-numbered ones.

Mr. Jarvis, Meet Mr. Gann

After the Legislature adjourned, Howard Jarvis and Paul Gann, having decided to join forces, began circulating petitions for an initiative that would become Proposition 13 on the June 1978 ballot. The initiative contained three key elements.

1. For purposes of taxation, a property's full value would be set at its estimated market value in 1975 or its price at the time of its last sale, whichever occurred later. As long as property was retained by the same owner, its full value could increase by no more than 2 percent per year. At the time of sale, the full value could be increased to the actual sale price.
2. The combined property taxes of local agencies (cities, counties, schools, community colleges, and special districts) would be limited to 1 percent of the property's full value (compared to a 2.6 percent

property tax rate on a typical California home in 1977). Exception to this limit was made for property taxes needed to retire bond issues outstanding as of June 1978.

3. Any general state tax increase would require a two-thirds vote in the Legislature, rather than a majority vote. Local governments would be barred from raising property taxes, but other taxes could be increased, subject to a two-thirds majority in a referendum.

The estimated cut in local property taxes was $7 billion. The initiative collected a record-breaking 1.2 million signatures within one month and easily qualified for the ballot.

Proposition 13 versus Proposition 8

When it convened again in January 1978, the Legislature was more inclined to act. With the leadership of liberal Republican Senator Peter Behr, both houses agreed to a bill that would reduce residential property taxes by one-third and increase rebates to renters and senior citizens. (Proposition 13 contained no direct benefits for renters.) The legislation involved allowing residential property to be taxed at a lower rate than commercial property. This required an amendment to the state constitution and became Proposition 8 on the state ballot in June 1978. Proposition 8 thus became the Legislature's alternative to Proposition 13.

A broadly based coalition formed in opposition to Proposition 13 and in support of Proposition 8. With Assembly Speaker Leo McCarthy as a spearhead, the group included the California Teachers' Association, the AFL-CIO, the Bank of America, Southern Pacific, the California (Business) Roundtable, Common Cause, the League of Women Voters, and the Sierra Club. Leading politicians, including Governor Brown, Los Angeles Mayor Tom Bradley, and State Superintendent of Public Instruction Wilson Riles, joined McCarthy and Behr in actively campaigning against 13.

Supporting Proposition 13 were apartment and real estate interests, some major agricultural groups, and the conservative wing of the Republican Party in California. Both sides raised more than $1 million in the campaign. Economist Milton Friedman recorded television spots in support of 13 and liberal economists were quickly summoned to rebut him.

Under ordinary circumstances the phalanx of major groups opposing Proposition 13 could have smashed any initiative; and, indeed, the anti-13 campaign appeared to be making some headway in the spring of 1978. On the other side, Howard Jarvis proved to be an effective campaigner. Gravel-voiced and blunt, Jarvis refused to be drawn into questions about where

government should be cut. He insisted that essential government services would not be harmed; that the savings in the property tax could come out of "fat" in government; and that it was time to send a message to those "popcorn balls" in the state capitol. Jarvis would not let the details of government finance deflect his anger. He thus captured the essence of the public mood.

The campaign effectively came to an end when, several weeks before the election, the Los Angeles County assessor unexpectedly released his annual property tax reassessments. Many of the properties had not been re-assessed in several years, and increases of 50 to 100 percent for single-family homes were widespread. The resulting tidal wave of public anger simply blew the anti-13 campaign away. Governor Brown, who had been strident in his opposition to 13, fell silent.

On election day popular approval swept Proposition 13 to victory by a margin of 65 to 35 percent. Proposition 8 received only a 47 percent yes vote. The voter turnout was a record-breaking 67 percent for a non-Presidential election. While 5.7 million voters chose among gubernatorial contenders at the top of the ballot, 6.7 million voters persisted to the bottom of the ballot to express their views on 13. Political scientist Richard Brody, surveying the county by county returns, concluded:

> Enthusiasm for the Proposition 13 approach to property-tax relief was widespread and did not reflect merely the vote of special interests. All of the state's geographical, political, ideological, and economic divisions came out strongly for the measure. Proposition 13 will be seen, in light of these analyses, as truly the 'will of the people'.

Other studies bear out Brody's view. Fifty-seven percent of the Democrats voted for 13 and the initiative received surprising support even where strong opposition might have been anticipated: 47 percent of renters, 42 percent of blacks, 43 percent of voters with a public employee in the household, and 45 percent of self-identified liberals voted for 13.

The Puzzle of the Surplus

Starting in early 1977, one of the factors that helped to paralyze the Legislature was uncertainty over the size of the state surplus. In January 1977 the estimated surplus was slightly less than $1 billion. By the time Proposition 13 passed, the estimated surplus was close to $6 billion. Part of the reason for the change was the fact that the $1.6 billion earmarked for the Legislature's alternative to Jarvis-Gann was again being counted in the surplus in the wake of 13's victory and the defeat of 8. But the major "culprits" were, first, the combination of a relatively progressive state income tax, a sustained economic growth in California, and the effects of inflation;

and, second, the cautious estimates provided by the governor's Department of Finance. Because of the progressive structure of the income tax, each 1 percent rise in state income led to a 1.6 percent increase in state income tax revenues. And, in the inflation of the 1970s, state income rose by an average of 10 percent per year. While the rate of economic growth and inflation is perfectly clear in retrospect, the California Department of Finance understandably hedged its projections for fear of overestimating the surplus and encouraging the Legislature to over commit itself. Also, however, the smaller the surplus was seen to be, the greater the governor's room to maneuver—and the Department of Finance takes its cues from the governor.

Whatever the problems in estimating the surplus, there was clearly a great deal of money in state coffers to cushion the shock of Proposition 13 to local government. As the national press and Governor Brown discovered the virtues of Proposition 13 in the later weeks of June 1978, those "popcorn balls" in the Legislature were back in Sacramento doing their best to piece together the fallout from the passage of Jarvis-Gann.

III

The First Bail-Out

THE GOVERNOR SWITCHES SIDES

Governor Brown had been an outspoken opponent of Proposition 13 up to about a month before the election in June 1978. Then he became curiously silent on the issue, and when asked about his current position would shrug and concede that 13 probably would be approved by the voters. Some people speculated that Brown, possessed of an uncanny ability to keep up with and usually one step ahead of the shifting moods and priorities of the voters, realized he had "blown it." He had sat on a huge fiscal surplus, watching it grow and doing nothing decisive to use it to provide property tax relief. He supported Proposition 8, but that was now viewed as a tardy and inadequate act of atonement by lethargic, out-of-touch politicians momentarily scared into action by Howard Jarvis.

Brown, probably for the first time in his meteoric political career, was on the wrong side—meaning the losing side—of a major issue. This turn of events was especially troubling even more for the Governor because property tax relief was Brown's kind of issue. Proposition 13 would force local agencies of government to trim their expenditures. Lean budgets had been the hallmark of the fiscally conservative, "small-is-beautiful" governor; but now, through his own inaction, he had been upstaged. And so in the weeks immediately preceding the election, those who knew Brown saw him to be regrouping, attempting to find a way to get ahead of the issue. Some observers expected Brown to quietly direct his staff to come up with a plan for smoothly implementing Proposition 13, a plan that Brown, with his unquestioned flair for the theater of politics, could unveil with a dramatic flourish

soon after the election. To professional Brown-watchers, it seemed equally likely that the governor would search for a way to convince Californians and the nation that he had been sympathetic to the spirit of Proposition 13 from the start.

In short, the governor would link arms with Jarvis and, in the end, when people thought of Proposition 13 they would think of Jerry Brown, the leader who made both lower taxes and leaner, more efficient government a reality. This remarkable transformation from opponent to disciple of Proposition 13 began on election night in a televised speech from Brown's election headquarters in Los Angeles. Brown, who had been overwhelmingly renominated for governor by the Democrats, spoke in somber tones not about the dangers posed by Proposition 13 but about the great challenges and previously unimagined opportunities it offered. He reminded the public that he had introduced the notion of an "era of limits." By any standard, Brown's performance was deft, and it effectively diffused the one issue the Republicans had hoped to use against him prior to the general election in November.

The next step in Brown's strategy was expected to be a concrete plan for implementing Proposition 13, something which Brown on election night inidicated he would deliver when he addressed the Legislature in a few days. Brown did address the Legislature, and spoke again about the great challenges offered by Proposition 13, but he proposed no plan, no specifics, for helping local governments and school districts that faced a massive loss of property tax revenue in a few weeks. In fact, Brown never did unveil a plan. By default (and this may in fact have been Brown's plan) the Legislature became responsible for deciding which budgets to cut and where and how to spend the surplus. Brown's role would be limited to either accepting or rejecting the lawmakers' proposal when it was presented to him for approval. He would lead, as he had frequently in the past, by reacting to the actions of others. This strategy was Brown's way of remaining above the political fray; tough and unpopular spending decisions compelled by Proposition 13 would have to be fought out in the trenches of the Legislature. This, in any case, was how the situation was perceived by many legislators, Republicans and Democrats alike. Among Democrats in particular, including strong past supporters of the governor, it created a bitterness toward Brown that would continue to grow.

BAIL-OUT: THE THREE-WEEK WONDER

When the Legislature reconvened shortly after the election it had only three weeks to "implement" Proposition 13. Knowing that the responsibility was now theirs alone, grim-faced legislators, many of whom had opposed the

initiative and were convinced that they faced tough re-election fights as a result of it, prepared themselves for the onerous chore. They set about this task, some of them recalled later, determined to bite the bullet.

SURPLUS AND CUTBACKS

Actually, they didn't have to bite that hard, or at least not nearly as hard as would have been necessary had there not been such a large surplus of unspent taxes to tap. The surplus amounted to nearly $6 billion; the question confronted the lawmakers was whether this was enough. Fortunately, a little more than a month before the election, with the surplus continuing to grow far beyond the original forecast of most of those in Sacramento, Senator Albert Rodda had accepted the inevitable and gone to work developing a new game plan.

> On the first day of May I concluded that we had to have the means for responding very quickly to 13. So I talked to my staff, told them to determine how they could quickly distribute the surplus so we could bail out local government.

Rodda's staff talked "very quietly" to key people in the Brown administration, to Assembly Speaker Leo McCarthy, and to other leaders in the Legislature. What emerged from these meetings, Rodda recalls, was a "remarkable consensus to the approach to the 13 bail-out—do it quickly, keep it clean, use the surplus we had," and to make it as painless for everybody as possible. The plan, as formulated by Rodda in what became Senate Bill 154, was to distribute the surplus to counties, cities, and local school and community college districts to make up, in part, for the revenue they would lose with the cutback in property taxes.

> Our intent was to develop a plan that would not address the long-term issues resulting from voter approval of Proposition 13, but would assure counties, cities and school districts of adequate funding to continue their basic operation.

The implications of Proposition 13 were enormous, and so wide-ranging that the Legislature would need time, certainly more than the three weeks it had, to deal with them. Few were prepared to quibble with this assessment. Overnight the entire tax structure of the state had been radically changed, and no longer could the property tax be the fiscal cornerstone of local government and education. With the passage of Proposition 13, property taxes statewide were reduced by a total of almost $7 billion—$7 billion that cities and counties and schools were counting on to maintain their operations in 1978–79.

Would or could the state provide the money that now was lost? And if it did, what would happen to local control, to local decision making about what

was best for and needed by a community? If the state became the chief funding source for cities and counties and school districts, shouldn't the state assume responsibility for how the money was spent? But if the state did this, of what use were the city councils, boards of supervisors, and boards of education that in the past had assumed most of this responsibility? Wouldn't they now be obsolete? Was it desirable or even remotely workable to have a massive network of cities, counties, special districts, and school districts that were in effect run by the executive and legislative branches of state government?

As Rodda later put it, the situation was "just a mess." But, continued Rodda, if the Legislature was to deal "with these changes responsibly, we needed time—hence the appropriateness of the bail-out SB 154 to fund local government on an emergency basis for one year." So the strategy that emerged within days after the Legislature returned to Sacramento was based on buying time: Get the surplus out to the foundering local agencies, keep them afloat.

Even though it had decided to put off attempts at finding long-range solutions, the Legislature was faced with weighty decisions in those days immediately following the election. Of primary importance was the need to determine whether the surplus would be enough to keep the various local agencies from having either to cut back or to eliminate essential public services (police and fire protection, for example) and to prevent massive layoffs of public employees.

In the end, the Legislature decided that the surplus alone probably wouldn't be enough, that some money would have to be found elsewhere. This, in part, meant trimming the budgets of state agencies—such as the University of California and the California State University and Colleges—not directly dependent upon property tax revenue. To do so meant robbing Peter to pay Paul in order to keep Paul solvent—which of course posed a new question: How much could you rob Peter before he was in worse shape than Paul? Nobody really had an answer, and of course the state agencies facing budget cuts believed that any reductions were too much.

In an attempt to find out just how much could be trimmed from state budgets, the Legislature's budget committees hastily called hearings during which the proposed 1978–79 budgets, which had been reviewed and decided prior to the passage of Proposition 13 in June, would be once again reviewed and, where feasible, cut.

Nonpartisanship Prevails

To outside observers, as well as to many inside observers, it seemed that the fiscal imperatives imposed by Proposition 13 would now provide

legislators an opportunity to attack particular agencies or programs to which they were hostile. Many legislators had post-Proposition 13 "hit lists"—programs they were anxious to prune under the guise of saving money to bail out local agencies. In education, the targets of such an attack seemed likely to be the University of California, perhaps the community colleges, and the state-funded categorical aid programs—particularly the School Improvement Program—in kindergarten through the twelfth grade.

The attack didn't happen, however. Budgets were cut, but they were cut across the board. Generally the cuts amounted to about 10 percent of all proposed state agency budgets, including those in education, which meant that everybody was hurt a little and nobody was hurt a lot.

"I think the main principle . . . was don't rock the boat," says one legislative insider. "Try to do everything in a proportional equity kind of sense." The reason for this was mostly political. Budget legislation requires, under law, a two-thirds majority vote to be approved. The more controversial the budget, the less chance it has of being approved. A deletion here or an augmentation there can hold up a budget for weeks until an acceptable compromise is worked out between the warring factions. In June 1978, with only three weeks to come up with money to rescue local agencies, legislators believed there wasn't enough time for the normal political bargaining. So the budget bill had to be as uncontroversial as possible. Assaults on particular programs or agencies, even unpopular ones, could arouse enough opposition to block the passage of any budget. There would be no vendettas against programs, this time around. "At least," says the legislative insider, "it was a good political strategy. Nobody was done in going that route."

This was just fine with Assemblyman Gary Hart, a Democrat from Santa Barbara, an influential member of the Assembly's key education committee, and chairman of the Assembly Subcommittee on Educational Reform. A former high school teacher, Hart is very concerned about the problems confronting education, particularly education in the junior and senior high schools. High dropout rates, the erosion in classroom discipline, and declining achievement-test scores deeply troubled Hart. He, like many others, was not sure how to attack these problems, but he believed deeply that some categorical aid programs—particularly the School Improvement Program—were at least steps in the right direction.

When he returned to Sacramento after the landslide approval of Proposition 13, Hart was understandably disconsolate, and, he recalled later, "I was scared." Hart was afraid that certain categorical aid programs—particularly the School Improvement Program, which had been falling into increasing disfavor in the Senate—would now for the first time be severely cut back or eliminated:

> The Senate was opposed to the program because they didn't think that the categorical aid programs in general were working . . . and that this was just another one of those, and that's what I was most concerned about.
>
> SIP [School Improvement Program] is one example [of a program] on someone's hit list, and that's one I'll go to the wall to defend. But there are other things on my hit list that I may be able to initiate at least a dialogue on and that was not possible before [Proposition 13]. And that's a healthy development as a result of 13.

In the end, however, all of the hit lists were at least momentarily shelved. All regular and categorical programs received the same treatment: a 10 percent reduction in the amount of money approved by the Legislature for the 1978–79 year prior to the passage of Proposition 13. It is important to understand, however, that the 10 percent reduction did not translate into less money for any of these state programs than they had received in 1977–78. In fact all of the programs—both regular and categorical—received, after the 10 percent reductions, more money in 1978–79 than they had in the previous year.

WAYS AND MEANS FOR PUBLIC EDUCATION

To many veteran lawmakers, the three-week "bail-out" session was the Legislature's finest hour. Nearly a year later those interviewed would recall it fondly: the marathon committee sessions aimed at meeting a momentous fiscal challenge to state and local government by a seemingly impossible deadline. It was an exhausting but heady time, and nowhere more than in the Assembly Ways and Means Committee's Subcommittee on Education.

This Subcommittee reopened budget hearings on the Assembly side of the Legislature for the various segments of education following the passage of Proposition 13. Here was where many of the decisions would be made regarding the effect the Jarvis initiative would be allowed to have on education. The most influential member of this five-person subcommittee was its chairman, John Vasconcellos, a die-hard opponent of Proposition 13 who had nonetheless been a severe critic of higher-education spending practices. Just below Vasconcellos in terms of influence was Gary Hart. The two, along with the subcommittee's third Democratic member, Theresa Hughes of Los Angeles, were considered to be among the Assembly's most liberal members. The remaining two members of the committee were Republicans, Gordon Duffy and Dixon Arnett. Both were knowledgeable about education and were considered moderates.

In the months preceding the June election, Vasconcellos had urged the various segments to prepare for the possibility of the budget cuts that might be necessitated by Proposition 13. In March 1978, when the budgets were first being reviewed, Vasconcellos, according to a knowledgeable committee source, told representatives of the various segments, "We're going to review your budget as we normally do every year, but we want you to know that we may come back and eliminate anything we give you at this point—and maybe a lot more." And, the source continued, "Vasconcellos was pretty heavy with each agency, telling them he really thought they ought to be out there letting people know what the impact of Proposition 13 would be, and what the hell were they doing sitting around?"

For their part, educators were reluctant to talk about potential impact (until right before the election, when apocalyptic prophecies abounded) and how they would react to it, because, like others, they didn't know what the size of the surplus would be. Many also believed that if they said a program could be cut, policymakers in Sacramento (particularly those in the Brown administration, which was always eager to save money wherever and whenever possible) would eliminate it, no matter how large the surplus was or whether or not Proposition 13 passed. So the best bet was to wait until they had to make the decisions, and there would be plenty of time for that when and if Proposition 13 passed.

When the Subcommittee on Education reopened its budget hearings a few days after the election, it was not armed with helpful suggestions or guidelines from the educational community about how spending might be reduced. Such decisions were hammered out in the ensuing days, culminating in a marathon committee session that began early in the afternoon and ran to nearly midnight on a hot June day. Amazingly, when it was over, most of the participating politicians and educators emerged feeling that every segment had been treated fairly and, in fact, had done much better than might have been expected. "It went ten hours," recalled Vasconcellos of the climatic committee session.

> We went over the whole budget [for education] and we cut out about forty million dollars . . . It was a masterful affair. The five of us [on the subcommittee] had worked together well all year. Everybody got a chance to speak, we took testimony, and we got it all done. And we rewrote the budget, I think, in a responsible way.

The subcommittee staff distributed to subcommittee members a list of programs and activities that could be cut, including cuts that, recalled a staff member, "would be really severe, but which were in the realm of possibility." Also distributed were cuts suggested by the legislative analyst's office.

Although they were solicited, suggestions from Governor Brown's Department of Finance were few and far between reflecting, said one committee source, Brown's determination to push the Legislature "to make the cuts and make the decisions [because] he didn't want to have to take any heat."

Cutbacks in Public School Programs

The subcommittee decided that no cagetorical aid programs would be eliminated or severely cut and that, as far as possible, budgets would be reduced in areas not directly related to classroom instruction. The subcommittee staff and the legislative analyst suggested numerous reductions in elementary and secondary school programs. Two suggestions in particular warrant attention because in following them totally the subcommittee was able, to a large degree, to avoid making reductions in many other areas.

The first of these was a suggestion to eliminate state funding for all adult education classes in the high schools except those pertaining to basic education such as reading and writing, citizenship training, and English instruction for immigrants. This reduction produced a savings of $87 million. The second suggestion called for the elimination of funding for all summer school classes except those needed by current high school seniors to graduate. This cut produced a savings of $105 million.

In following other recommendations, the subcommittee produced additional savings, but they were far less dramatic: elimination of state support for a science program in the San Francisco Unified School District, $32,000; elimination of a 6 percent inflation adjustment for child-care programs, $6.1 million; and so on.

Cutbacks in Higher Education

The subcommittee then turned its attention to higher education, where, as it turned out, dramatic savings produced by a swipe at a single program were a little more difficult to come by. As a subcommittee source observed:

> We didn't have any big item like summer school or adult education which would save [about] $200 million. We went through and looked at individual items that we had put in [the budgets prior to the passage of Proposition 13], like money for additional teaching assistants. We had put $200,000 in for teaching assistants [at the University of California] and we took that out.

The single subcommittee action producing the most savings in post-secondary education—$67.2 million—was the elimination of state support for summer schools in the state's community colleges. Other items in one or the other systems of higher education produced a variety of lesser savings:

out-of-state travel for faculty members, $15,771; replacement of instructional equipment, $7.4 million; funding for two new scholarly journals, $75,936; expansion of English placement examinations, $298,100; money for alumni-relations activities, $200,000; acquisition of library books, $1.5 million; funding for a study of systemwide redistricting of community colleges, $90,000.

"Our guiding principle here was to treat everybody the same," said the subcommittee source. "Everybody would take the cuts the same, whether its the community colleges or [the other systems of] higher education or K–12 school districts."

Tuition Avoided

Even though the subcommittee did cut the budgets of both UC and CSUC, and approved proposals calling for forced savings, it did so in a careful, almost surgically precise fashion that was all the more impressive given the short amount of time it had to make its decisions. A primary motive behind this carefulness was a deep-seated commitment to avoid cutting so deep that either system would have to implement tuition.

The state university trustees technically have the power to impose tuition, but they require the authorization of the Legislature. Therefore, for the moment tuition in CSUC was not an immediate concern. The University of California, because of its constitutional autonomy, could implement tuition unilaterally, an action that UC officials said would be necessary if the cuts went too deep. So the subcommittee had to determine how deep was "too deep."

During one remarkable episode surrounding this issue, a subcommittee member asked a UC vice-president during a budget hearing how much could be cut before the university would feel compelled to levy tuition. The vice-president asked for time to respond, left the hearing room accompanied by some associates, and returned to announce that a budget cut beyond $30 million might well trigger a tuition charge.* In the end, the reductions made in the university's budget approved before adoption of Proposition 13 totaled about $29 million.

Even though the subcommittee had made cuts slightly lower than the danger point, some legislators still feared that the university would impose tuition anyway. Therefore the subcommittee members voted to include language in the state's budget for UC that would reduce state allocations to the

*As a result of actions taken early in the Reagan years, both UC and CSUC students are required to pay several hundred dollars each year for "educational fees." Since these funds are not directly used to pay the cost of instruction, they are not technically considered to be tuition.

university by the amount raised by tuition or by increasing any existing fee. It was an ingenious device, presumably inspired by now well-established skepticism about the university in certain liberal circles in Sacramento. The language was subsequently removed from the budget by the full Legislature, however, after it had received the personal word of University of California President David Saxon that tuition would not be implemented and that fees would not be raised during the upcoming academic year. This was an extraordinary action on Saxon's part, and it appeared to be promoted by Saxon's willingness to do what he had to do to prevent budget control language that the university viewed as yet another attempt by the Legislature to intrude on its autonomy. Out of this arrangement, as in similar tradeoffs in the past, both the university and liberal legislators emerged with much of what they wanted.

The Protectors of Higher Education

Despite this relatively mild eruption of distrust, the subcommittee (and later the full Legislature and the Brown administration) treated the university and all of higher education rather well. No permanent faculty would be laid off, no education programs would be substantially cut back or eliminated, no new student fees would be required.

Some speculated that John Vasconcellos and his subcommittee did not cut more because there was very little fat left to cut. And this was because, it was said, Vasconcellos and his colleagues in the years prior to Proposition 13 had already trimmed the "fat." To cut more now meant either going into the marrow of the system or acknowledging that they had not cut as much as they should have in the past—and the latter possibility represented a potential embarrassment to the subcommittee.

Other speculation, seemingly the most probable, centers around the desire of many legislators—particularly Al Rodda, John Vasconcellos, and Gary Hart—to protect the university from the undiscriminating fiscal cleavers wielded by unthinking Proposition 13 zealots. All three, and particularly Vasconcellos and Hart, might have had their disagreements with the various segments of higher education, but those disagreements generally were about how to improve institutions they fundamentally supported. The zealots, most of them right-wingers, were concerned only with saving money. They were not sensitive to the complexities and the needs of higher learning and were likely, if not checked, to cause irreparable damage to the interdependent systems that, despite their flaws, had served the state so well. For the

liberals it was a time to set aside their attempts at fine-tuning the university system and once again to unite with the university against an assault from the right.

Vasconcellos took this position more strongly than anyone, according to a knowledgeable assemblyman who declined to be identified.

> John has been going after the University on so many different things, but he has always said to the University, "Don't say I'm an enemy of the University, because during the Free Speech Movement [and subsequent controversies during the Reagan years] I was with you on all kinds of things." And I think he probably felt the same way about [Proposition] 13.

Asked for his assessment, Vasconcellos said he believes that the Legislature still feels "a lot of goodwill" towards the systems of higher education, but he also gave credence to speculation about his new role of protecting higher education:

> Prior to Reagan becoming Governor, they [higher education] were fat, they got everything they wanted from Pat [Governor Edmund G.] Brown. They took it in the ass in the Reagan years. Reagan . . . cut them every year. They weren't down to the bone, but the fat was largely gone. [And later] we [the liberals] cut them more, we took money out and the governor [Jerry Brown] took [money] out, and that strapped them some. But they weren't scared.
>
> Where it goes from here I don't think anybody knows, but the impression is that things are going to get tighter down the line. They'll be okay again this year [1979–80], pretty much. But down the line it's going to get really hard. Some of us think that in a year or two it's going to get really desperate in terms of public revenue.

Thus, when the Subcommittee on Education closed its books on the first post-Proposition 13 budgets for education, particularly higher education, it was very happy with its work. Cuts were made, but education would be alive and relatively well for another year, thanks to a large surplus and, at least to some extent, to a discriminating and sensitive decision made by the liberal-dominated subcommittee and later endorsed by the full Legislature and Governor Brown.

"My impression about June [1978] around here is that the Legislature reached one of its high points," said Vasconcellos. "We rewrote the budget I think in a responsible way . . . dealt with it comprehensively and fairly, not perfectly but I think as wisely as we could. We did a good job."

Such effusiveness about the job that was done is not restricted to Vasconcellos. Rodda, Hart, and key education policymakers in Sacramento concur.

THE SALARY QUESTION

Meanwhile, in another part of the state capitol, a special conference committee—made up of Republican and Democratic leaders of the Assembly and the Senate—was just getting started on its job of putting together the details of SB 154, the bail-out bill authored by Senator Rodda. The conference committee's job was to figure out how best to use the surplus and the money cut from state agency budgets by others (such as the Subcommittee on Education) to help local government and school and community college districts. The committee also was charged with reconciling different recommendations from the Senate and the Assembly regarding the specifics of the bail-out bill. Rodda chaired the conference committee.

Yet another conference committee, composed of leading members of both houses, was charged with working on the state budget. This committee's job was to reconcile the different recommendations from the Senate and the Assembly concerning reductions in, or augmentations to, the proposed 1978–79 budgets for state agencies, including the recommendations of the Vasconcellos subcommittee.

On paper, the two conference committees had different jobs: Rodda's committee would deal with local agencies, the budget committee with state agencies. Given the increased interdependence of state and local governments compelled by the fiscal ramifications of Proposition 13, however, the jobs of the two committees necessarily overlapped. For the first time both local and state agencies were to a large extent relying on money from the same pot, so decisions about how and on whom it would be spent affected everyone.

Nowhere was this more the case than in the matter of salaries. Both committees were much involved in what turned out to be a very complicated and highly controversial decision about salary increases for state and local government and education employees in 1978–79. In the end their decision backfired, causing a post-Proposition 13 fiscal aftershock that rocked the precariously balanced foundations of state and local government.

To Raise or Not to Raise

The essential salary question before the two committees was, should state and local employees be given a raise in 1978–79? But related questions were every bit as important as the central one, and in fact had to be addressed before the main question could be answered. Was it possible to rescue programs and services of local agencies and still give pay raises to local employees? Should state employees and employees of local agencies be given equal pay raises?

The Brown administration and the Assembly, Rodda recalls, were "afraid salary increases at the local level would result in a good deal of unemployment," since the only way local governments might be able to afford giving raises to some employees would be by laying off others. Further, said Rodda, "it would be unfair for state employees to have a cost-of-living increase and for local employees to be unable to have a pay increase." The answer to such a dilemma was not simple.

Rodda's conference committee demurred on the big question of whether there should be an increase, but offered guidelines that in effect said that if one employee gets a raise, then all employees should get one. Specifically, the bail-out bill provided that if state employees received a salary increase of, say, 5 percent, local government employees would receive no more than 5 percent.

The decision within the Legislature about how much, if any, employees should receive was left in the hands of the budget conference committee. The Senate had voted to give state employees a 5 percent increase, while the Assembly had decided that no raises should be given. The conference committee split the difference and recommended a 2.5 percent increase for state workers. Under the mandates of the bail-out bill this would have meant, in effect, that local government and school district employees also could have received no more than a 2.5 percent increase. But for the moment, at least, this was a moot point because Governor Brown decided to give no increase to state employees.

Circumventing Brown's Veto

As a result of Brown's veto of a pay raise for state employees, nobody would get a raise under the guidelines established by Rodda's conference committee and approved by Governor Brown. Since state employees would receive no raise, neither would their counterparts in local government and education. Local agencies did have an option, of sorts. If they did not accept the bail-out money, they of course did not have to accept the prohibition against giving salary increases. Only a handful of small agencies chose the option.

For education this decision meant that no teacher, professor, or administrator would receive a cost-of-living pay raise during 1978–79. Some would receive more money nonetheless. Neither budget language nor the budget bill prevented so-called step increases, whereby a person moves from one pay scale to a higher one due to longevity of service or merit increases. In education in 1978–79 an estimated 50 percent of all teachers, professors, and administrators received 5 percent step increases. This was not enough to

keep pace with inflation, however, particularly in higher education, where no pay raises or low pay raises had been a way of life for more than ten years.

The language of the bail-out preventing pay raises was immediately challenged in court by employee organizations, and in the spring of 1979 it was ruled unconstitutional by the California Supreme Court on the grounds that the Legislature could not void collective bargaining contracts signed before the Legislature acted.

The upshot of this, not surprisingly, was that local teacher and employee groups began clamoring for pay raises promised by contracts signed before the passage of Proposition 13. School and community college districts would of course have preferred giving no raises, but many had no choice. Many collective bargaining agreements with employee and teacher groups included stipulations that if the state supreme court threw out the bail-out prohibition, negotiations would immediately be reopened. In other cases, salary increases had previously been agreed upon with the understanding that they would be immediately implemented upon receiving the green light from the supreme court.

Many districts had prepared for this eventuality and, as described by one school administrator, had "squirreled away" enough funds to meet the costs of salary increases. Within the huge Los Angeles Unified School District, for example, the year-end balance of unspent funds for 1977–78 covered the pay raises. Other districts, including those that had not consciously prepared for salary increases, were able to dip into their unallocated reserve funds.

What this all meant was that the best intentions of the Legislature and Governor Brown met with a very ironic ending. Both had decided that local employees should not receive pay raises because of the likelihood that raises would force layoffs. If local personnel were to receive no more money, neither, in all fairness, should state employees. In the end, however, widespread raises (and no lay offs) occurred at the local level, but no raises occurred at the state level.

The irony was not lost on state employees or on such institutions as the University of California and the California State University and Colleges. Each asked for immediate retroactive pay raises soon after what was happening at the local level became clear. The requests, despite the support they received from such persons as John Vasconcellos, were denied by Governor Brown, who placed greater weight on saving money than he did on equality in pay among public employees. In response, both UC and CSUC included

in their salary requests for 1979–80 a retroactive pay hike for the 1978–79 academic year in addition to a further increase for the upcoming year. In July 1979 the Legislature approved an average 14.5 percent salary increase for all state employees, including UC and CSUC staffs. Governor Brown balked at the size of the increase and, in an unusual move, the Legislature overrode his veto.

IV

The Eye of the Storm

Most educational leaders in California walked away from the June 1978 session of the Legislature relatively happy, realizing that things weren't nearly as bad as they might have been. Soon the cataclysmic might-have-beens were perceived as events that were highly unlikely in the first place. While California's educational system was not nearly as well off as it had been before Proposition 13, many professional educators decided that they could live with what they had to for one year. But come 1979 they would not be so easily persuaded to go along with the sentiment that sacrifices compelled by Proposition 13—which after all, they believed, was not really aimed at education—had to be equally shared by all. In the meantime, however, they would cope.

FIRST-YEAR IMPACT: ELEMENTARY AND SECONDARY SCHOOLS

Uncertainty about the Future

The single biggest effect Proposition 13 and the subsequent bail-out legislation had upon all public education in California was the uncertainty it created about the future. With declining enrollments and seemingly paltry salary increases, the future as perceived prior to 13 had not been all predictable or rosy, but it was less so now. To begin with, the continued existence of a good publicly funded educational system appeared to depend very much on the state surplus. The system had remained largely intact in 1978–79 because the surplus had been so large. But would it stay that large? And, if so, for how long? What would happen when the surplus shrank in size or

even disappeared. No one could be sure; it was clear that funding for elementary and secondary education, as well as for the community colleges, was now tied much more closely to volatile sales and income taxes at the state level rather than to the more stable property tax.

In the public schools and the community colleges, the use of the surplus itself raised certain questions that bred other uncertainties. By bailing out the schools, the state had completely reversed an historic funding relationship, designed in part to protect and provide for local control of education. Now the relationship had changed and no one knew what this change signalled. The facts contributing to this uncertainty were best set forth by the 1980 annual report from the Office of the Legislative Analyst:

> The passage of Proposition 13 and the enacted legislation relating to it (SB 154) caused a dramatic shift in the state, local and federal shares of K-12 revenue support. . . . In 1977–78 local property tax levies accounted for 48.7 percent of the total while state support was 39.2 percent (with federal government support accounting for the balance). In 1978–79 local support dropped to 25.4 percent while state support increased to 60.6 percent.

With the state now providing well over half the money for local schools, would the Legislature and the executive branch have far more to say about education in the public schools than they had in the past?

Erosion of Local Control

In distributing the bail-out money, the state already had increased its control. For example, the constraints placed on salary increases by SB 154 (later declared unconstitutional by the California Supreme Court) represented an encroachment into an area previously controlled by local boards of education. Additionally, SB 154 required that school districts use all their money in their total budgets. The size of reserve funds varied tremendously from district to district and generally reflected the amount that each local board had decided to set aside for, among other things, unforeseen emergency situations within its district. Now the state, in effect, was setting the size of the reserve funds—5 percent of the total budget—and, in so doing, increasing state control. Furthermore, even though the state refused to provide money for full summer school or adult education programs, the state did stipulate that local districts must provide certain summer school and adult education classes to a state-determined clientele (including graduating high school seniors, and immigrants seeking citizenship). This stipulation also moved into an area previously left to local boards.

There were other similar encroachments. All told, however, they did not add up to a major usurpation of local control. Even so, what did this

portend for the future? Examples of greater state intervention include statewide collective bargaining, statewide salary schedules, and statewide mandates concerning the number of administrators per district. (A state-level requirement that districts spend at least 50 percent of their budgets on instructional salaries already exists for the community colleges.) None of these ideas has yet been seriously pushed. Most administrators fear all of them, and certainly expect to face more elaborate reporting requirements concerning the use of state money.

The Threat of "Leveling Down"

Also thrown into doubt was the future of the historic *Serrano* decision of 1971, in which the California Supreme Court had ruled that the state's school finance system was unconstitutional because expenditures on children varied tremendously from district to district due to the property wealth of districts. The Legislature had dragged its heels in coming up with a solution to this problem for years. Ironically, however, it had passed an omnibus school finance reform package the year before the passage of Proposition 13, which among other things finally started the machinery in motion to close the gap between high-wealth and low-wealth districts. Generally, the legislation, Assembly Bill 65, provided that the state would give more money to low-wealth districts (gradually, on a year-by-year basis) to bring them closer to the high per-student spending levels of districts such as Beverly Hills, which historically had spent hundreds of dollars more per student than most other California districts.

As low-wealth districts gradually received more state money, districts such as Beverly Hills would receive slightly less—but never so much less that educational programs would be damaged. The passage of this "leveling up" legislation reflected, as much as anything else, an enormously effective lobbying effort by high-wealth districts (supported by State Superintendent of Public Instruction Wilson Riles) to make sure that they would not be "dragged down" by the *Serrano* decision.

With the passage of Proposition 13, however, school officials became afraid that the "leveling up" would be replaced by so-called "leveling down." The problem was that state money that would have been used to implement AB 65 now presumably would have to be used simply to keep districts afloat at their current, widely disparate spending levels. Low-spending districts might not have enough money to meet the demands of *Serrano* within a reasonable range of their high-spending counterparts. Much larger amounts of money might now have to be withheld from high-wealth districts, forcing them down to a level of spending more easily attainable by low-wealth districts.

Under the bail-out bill low-spending districts were reimbursed with state funds up to 91 percent of what they would have received in 1978–79 had Proposition 13 failed. High-spending districts were required to absorb a larger reduction, receiving up to only 85 percent of the revenue previously anticipated for 1978–79. Thus the reduction in revenue ranged from 9 percent to 15 percent depending upon a district's statewide ranking on per-pupil expenditures.

Nonetheless, some districts continued to spend $2500 per pupil while others were spending $1500 per pupil. The fear among high-spending districts, however, was that this could not go on forever. Sooner or later, new decisions would have to be made about complying with the *Serrano* decision. As long as the large state surplus remained, attempts at equalizing could be pursued somewhat along the lines of "leveling up." But when the surplus began to shrink, a "leveling down" would, out of necessity, have to be substituted—or so it was feared. When and if this would occur, of course, nobody knew, which naturally led to further uncertainty.

What everybody did know, however, was that the potential problems raised by the bail-out money were dwarfed by the fact that without it many districts (including some high-wealth districts) would have had to reduce so many programs and fire so many teachers that the value of their remaining educational offerings would have been questionable.

The large jump in the state's financial contribution to the schools was attributable, of course, to the state's attempt to make up the property tax revenue lost in the schools under the Jarvis-Gann initiative.

In 1977–78 California's public elementary and secondary schools had received $1.86 billion in regular state apportionments plus $1.72 billion from a variety of federal and state categorical programs. Local property taxes had yielded $5.35 billion for a total revenue of $8.93 billion. In the wake of Proposition 13 local property revenue in 1978–79 shrank to $2.44 billion. State apportionments, including $2.07 billion in "bail-out" funds, rose to $4.22 billion and categorical aid rose to $1.83 billion for total revenue of $8.49 billion, a loss of 5 percent from the previous year.* However, through the mandated use of their reserves, most districts were able to bring their 1978–79 budget up to—and usually above—their budgets of the previous year.

**An Analysis of the Effect of Proposition 13 on Local Governments*, California State Office of the Legislative Analyst, Sacramento, Calif., October 1979, p. 11.

Cutbacks in Services

Even so, the financial situation was tight, because budgets averaged about 10 percent less than anticipated by districts prior to the passage of Proposition 13. To make sure they would be able to live within the parameters of frugality imposed on them, many districts initiated a series of cutbacks in their operations.

A survey of California school districts conducted jointly by the California Department of Education and the California Department of Finance attempted to ascertain how many districts had to initiate cuts and in what areas these reductions had been made. Questionnaires were sent to a cross section of 157 districts. One hundred and eleven school districts responded.

The survey found that the "prevailing policy" followed by districts in the first year after Proposition 13 was to "keep program cuts as far as possible from the classroom." Therefore, what reductions were needed were made in other areas, including office services provided by clerical staffs and plant maintenance. Additionally, according to the survey:

> . . . library and media services declined in 26 of 60 (43 percent) reporting districts, while only one reported an increase. Textbooks, supplies and other instructional material purchasing declined in 50 of 90 (53 percent) reporting districts and increased in two. . . . Food service spending declined in 28 of 82 (34 percent) districts, and health care staffing (nurses) fell in 25 of 104 (24 percent) districts. Counseling staff was cut in 36 of 103 (35 percent) reporting districts. Construction and site acquisition plans were reduced in 28 of 79 (35 percent) of reporting districts and increased in five . . .
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> . . . . . .
>
> Most school districts indicated that there had been no change in either the length of the academic year or the length of the school day. Of 114 responding school districts, 60 (53 percent) . . . indicated that there had been a decrease in the regular teaching staff, and 19 had increases; 17 of 65 (26 percent) districts reported a decrease in the number of full-time paid instructional aides while six increased; and 46 of 100 districts reported a decrease in the number of part-time instructional aides with eight showing an increase.

It is interesting to note, however, that the survey was unable to pinpoint the precise reason for the reductions in instructional staff—largely because the answer was clouded by a problem that had begun to haunt the public schools long before anyone had ever heard of Proposition 13: "It is not known to what extent these staffing reductions are the result of funding changes caused by Proposition 13 and the subsequent state fiscal relief legislation (SB 154), or the result of a decline in the number of students in these districts."

The survey noted that fees charged for cafeteria meals were increased in 49 percent of the districts surveyed, that school bus routes were shortened in order to reduce the amount of money spent by the district on gas and vehicle maintenance, and that the number of instructionally-related field trips was reduced.

Cost-consciousness and Other Trends

Proposition 13 had at least one effect on school districts that very few would argue was not worthwhile: it forced them to be far more conscious about how each dollar, and even cent, was spent.

Deputy State Superintendent of Public Instruction Bill Whiteneck cited one example of how this new cost-consciousness applied to cafeteria meals for the needy:

> There's such a great amount of state and federal reimbursement in that program that, in the past, districts were reluctant to spend a whole lot of time [determining] whether or not [a meal] should be 37 cents or 35 cents. The district would decide, for example, on a 35-cent price, figuring, "Oh, hell, we'll pick up those two pennies from our general fund," should it later be determined that the breakeven price should have been 37 cents.
>
> Now this year, they [districts] got down and did some real cost accounting on food and labor and all that kind of stuff so that they could extract every eligible penny out of the state and federal reimbursement [program] instead of being forced to dip into their limited general funds.

All and all, said Whiteneck, it represented a "tighter accounting of that particular area—which is good."

Whiteneck talked of other, more subtle effects that Proposition 13 has had on the schools. Primary among these had been 13's tendency to "accelerate" trends that had begun before the proposition was passed. The most notable of these is the "back to basics" approach to education, prompted to a large degree by declining achievement tests scores and the belief that a return to an emphasis on reading, writing, and computational skills will first halt the decline in test scores, and then send the scores upward again. Accompanying this trend has been a corollary move to jettison elective courses that were added to the curriculum during the 1960s and early 1970s and that, in some instances, had been available as substitutes for more traditional courses. (A typical example might involve the substitution of "Film History in America" for American History.) Now, said Whiteneck, with less money to spend on the regular education programs than had been anticipated, many districts have stepped up their reduction of electives, using the money thus saved presumably to shore up their more traditional curriculum offerings.

Thus, Proposition 13 interacted with other trends, including the enrollment decline. For example, the San Francisco Unified School District experienced a more severe impact than most other districts because many of the worst things that could happen to a district were happening to it all at once. To begin with, San Francisco is a high property-wealth district, which meant that it received less bail-out money, relatively speaking, than less wealthy districts (the *Serrano* factor in the bail-out bill stipulated that high-wealth districts would receive 15 percent less than what they had counted on prior to Proposition 13; for districts with low or average wealth it was 9 percent.) San Francisco was also in the throes of a steady enrollment decline. All of this added up to the fact that San Francisco, hit simultaneously by a series of unrelated problems, was in financial trouble. At the opening of the 1978–79 school year, the district was forced to lay off approximately 500 teachers in an attempt to balance a budget, very much in the red. The layoffs did further damage to an already-low teacher morale resulting from the fact that San Francisco teachers had received a total cost-of-living increase of 8 percent in the previous four years.

How Dire Were The Consequences?

San Francisco was suffering, but some high-spending districts were doing quite well. The Beverly Hills Unified School District is a good case in point.

Beverly Hills is a community accustomed to the best, and Beverly Hills High School reflects the community it serves. Situated several hundred green and cared-for yards up a hill, the school is an architecturally ideal period-piece, a vision of serene Mediterranean elegance. If Proposition 13 had an adverse impact on Beverly Hills, the highest-spending school district in the state, it was not visible to the naked eye in the spring of 1979. And that presented a problem, according to Ken Peters, the district superintendent.

The problem began with the *Serrano* decision eight years earlier and the implications the decision had for wealthy California school districts. Peters said that after the decision he had tried to "prepare" district parents and residents for the eventuality of a new *Serrano*-based state funding formula that would undoubtedly mean less money for Beverly Hills and, perhaps, lead to reductions in programs. "Then year after year . . . our programs remained the same or flourished," said Peters, adding that people began to think he was just "crying wolf." Now, he lamented, the same is true about Proposition 13. "We get almost daily comments from people, including parents, about how they don't see any problem, things are going fine, what's all this concern about 13."

Those people may have been looking at the new cafeterias in three elementary schools and the recently completed tennis courts near the high school. That the new facilities were the result of a bond issue approved by Beverly Hills voters long before Proposition 13, money that could be used for nothing else, did little to counter the general feeling that Proposition 13 was nothing to worry about. And, as Peters conceded, the changes ushered in by 13 had not yet been significant.

The district's share of the state bail-out money accounted for this slight impact to some degree. Another factor was that Beverly Hills—a district of only 5,732 students—used $4 million in its reserve funds for district operations in 1978–79, leaving a balance in the reserve fund of about $8 million. Also helpful was a unique arrangement the district had with the City of Beverly Hills. Under an old, but previously unused agreement, the district was able to charge the city for use of recreation and community service facilities (such as tennis courts) that were constructed by the district but open to use by Beverly Hills residents. Under this arrangement, the Beverly Hills City Council gave the district more than $800,000 for the 1978–79 school year. The proposed 1979–80 city budget included $1 million for the district.

Additional financial help for the district is expected to be provided in the future by something unique to public schools in California: the Beverly Hills Education Foundation which is headed by Max Factor III, an attorney and heir to the cosmetics fortune, whose sole purpose is raising money for the district. The foundation has raised more than $300,000, but Peters feels the real money will not begin coming in until more people are convinced that the district is in financial trouble. That probably won't happen until the district's large fund of reserves dries up, if it does, or until the state decides to step up its attempt to bring California districts into compliance with the *Serrano* decision. In the meantime the foundation, said Peters, will continue raising money through "jog-a-thons" and art auctions, as it has in the past.

Beverly Hills expected an enrollment decline in 1978–79, which might have caused the district at least a modicum of fiscal difficulty. This was forestalled, however, by an influx of wealthy Iranians, whose children more than made up for the district's expected loss of about 100 students. The Iranian students were in fact a double bonus for Beverly Hills. Few of them spoke fluent English, so the district applied for and subsequently received categorical aid funds to establish English-as-a-second-language classes for the students—the first time Beverly Hills had qualified for this type of categorical program.

Thus Beverly Hills emerged from Proposition 13 virtually unscathed, but Peters was still worried about the future, sensing that *Serrano* or Proposition

13 or declining enrollment would ultimately exact a toll from his now idyllic district.

Intangible Costs

Even for most districts less affluent than Beverly Hills, Proposition 13 was by no means trangibly catastrophic—at least initially. Michael W. Kirst, president of the California State Board of Education and associate professor of education at Stanford University, put it this way in the Summer 1978 issue of the California School Board Journal: "Dire consequences have been postponed (or may never appear)." However, echoing the sentiments of educators throughout the state, he added,

> Proposition 13 is a time bomb with a long fuse, we do not know how big a bomb or how long a fuse. While the short term consequences will be less than most observers have anticipated, we can look for substantial change in the long run. Nobody can predict precisely what this change will be because of so many unknowns in terms of state policy. There is no definite way to ascertain what the surplus will be. We also find prediction of future legislative activity hazardous at best.

While Kirst and others say the tangible effects of Proposition 13 have been relatively negligible thus far, they stress that the Jarvis-Gann initiative exacted an intangible, but ominous price from public education in California. Part of this price was erosion of the credibility of public educators. Stated Kirst:

> While local boards may not see the bail-out [money] as generous, the amount of state money may undermine further the credibility of local public educators. [Their] dire forecasts of massive layoffs and huge cuts will not come to pass.

The loss of credibility has, over the years, led to another equally serious yet intangible problem. Educators have come to believe that the difficult nature of their work is not understood, and therefore not appreciated by the public and its political leaders. Proposition 13 has done nothing to lessen this belief. In fact, if it had done anything, it had expedited a loss in morale that had begun long before the Jarvis-Gann initiative.

According to Kirst, the "initial impact [of Proposition 13] will be heavily oriented to lower morale of the employees. A new era of uncertainty surrounds public school teachers and staff." Feeding such uncertainty, said Kirst, is employees' growing insecurity about their jobs and about a future controlled by perhaps increasingly tight fiscal constraints.

> All of this, will lead probably to some loss in employee productivity and enthusiasm for their jobs. It may lead to strikes that are directed against the state. . . . Employees will have little zest for substantial change at the

school site when there is so much uncertainty surrounding their very survival.

FIRST-YEAR IMPACT: COMMUNITY COLLEGES

The most immediate impact of Jarvis-Gann upon the community colleges was a loss of more than one-half of their local property tax income, down from $760 million in 1977–78 to $323 million in 1978–79. In campaigning against Proposition 13, community college leaders had warned that some colleges might have to shut down, that programs would have to be slashed, that thousands of employees would have to be discharged, that tuition might be imposed, and that student access would be severely restricted. Most of these predictions proved to be unfounded, and the reason, of course, was the "bail-out" of the colleges through the use of the state surplus.

Survival by Bail-out

In the bail-out measure, SB 154, the Legislature decided to distribute the regular state apportionment ($535 million, as projected before the passage of 13) based on attendance and relative district wealth in 1977–78. In addition, the Legislature gave the community colleges $260 million from the surplus, using a "target budget" approach. In 1978–79, the target budget for each district was the 1977–78 budget plus a 6.8 percent inflation adjustment. To determine each district's share of the $260 million, the following items were added together: the regular state apportionment, a percentage of that district's reserve funds, and the district's projected revenues from the remaining 1 percent property tax left by Jarvis-Gann. This sum was subtracted from 85 percent of the district's target budget, and the remainder then constituted the district's share of the $260 million.

The bail-out increased the state share of non-federal support for the community colleges from 42 percent in 1977–78 to 72 percent in 1978–79. (California community college budgets also contain a small percentage of federal funds.)

The reduction in total state and local revenue from $1.30 billion to $1.14 billion would obviously lead to significant problems, but it was not the fiscal disaster that had been feared. Clearly, the dramatic growth of college expenditures, which had doubled in the previous seven years, had been halted and slightly reversed. (In the process of bailing out the colleges, the Legislature has temporarily suspended the principle that state support for each district should fluctuate with enrollment.) Local community college boards, now restricted to a pro-rata share of the remaining property tax, had also lost their power to set property tax rates.

Cutbacks

Local districts responded by cutting back on a number of fronts. Six percent of the 61,000 courses offered in the community college system were eliminated and 13 percent of the class sections were cut. These cuts fell heavily upon the ranks of part-time teachers: the number of full-time faculty declined 2 percent; the number of part-time teachers fell by 23 percent. Both budget reductions and attrition accounted for these reductions. Barred by the Legislature from giving across-the-board salary increases (until this restraint was ruled unconstitutional by the courts in those instances where pre-existing contracts provided for increases), virtually all districts maintained the usual step and merit increases.

In addition to the savings achieved by reducing instructional offerings, many districts also cut administrative expenses and travel, deferred maintenance and capital construction, and increased fees for the use of college facilities.

Even under pressure of Jarvis-Gann, local boards by and large refused to institute student fees. (State law permitted them to do so for noncredit.) Only twenty districts out of seventy levied such fees, and the total resulting revenue for the entire state was a miniscule $872,000.

Other than the effect on revenues, the most tangible impact of Proposition 13 was upon enrollment. Average daily attendance (ADA) declined by 9 percent. The bulk of this drop occurred in summer school, where both number of courses and ADA declined by 50 percent after the removal of state support, and in noncredit courses, where ADA was down by 26 percent. Recreation and crafts courses, as well as offerings for adults, were the noncredit areas most severely pruned by local boards and administrators.

Good news was that enrollment of minority and women students had not declined more than enrollment of white males. The number of courses in basic academic skills, English-as-a-second-language, apprenticeships, or programs for handicapped declined little or not at all—partly due to a legislative "maintenance of effort" requirement in the bail-out bill. It is quite likely that the reductions in courses and enrollment came where public opinion would have indicated—that is, outside the "mainstream" academic and vocational areas.

As with other segments of public education, Jarvis-Gann brought new levels of anxiety and uncertainty to the community colleges. Although in 1978–79 a few employees lost their jobs, some construction was delayed or terminated, and enrollment dropped significantly, the types of courses deleted and of students lost make it difficult to claim a serious reduction in access to academic or vocational education. The California Postsecondary

Education Commission may have best summarized the first-year impact of Proposition 13 on the community colleges:

> As a whole, these data on program and enrollment changes in the wake of Proposition 13 show a constrained level of operations within the fundamental mission of the Community Colleges.

FIRST-YEAR IMPACT: UNIVERSITY OF CALIFORNIA AND CALIFORNIA STATE UNIVERSITY AND COLLEGES

For the University of California and the California State University and Colleges, Proposition 13 accelerated many trends that had been evident in the prior decade. The combination of no growth or low growth in enrollments (which by the late 1970s had turned into a decline in the state university system) and two fiscally conservative governors in succession had resulted in relatively tight budgets year after year. Each system's first post-Proposition 13 budget was about 2 percent higher than the previous year. Both systems were able to avoid additional student fees or tuition, any major reductions in their instructional programs or in research, and any lay-offs of permanent faculty members.

That was the good news. The bad news was that even though there was slightly more money for 1978–79, selective budget reductions would nonetheless have to be made. These reductions were the ones compelled by the Legislature and the Brown administration when they had established savings targets for both systems. For UC the amount was $15.4 million, for CSUC, about $14 million. This meant that both systems were required to come up with these sums from self-imposed cuts in their originally proposed 1978–79 budgets. What would be cut was up to them.

The worst news for both systems was no faculty members or administrators would receive salary raises. Both systems deeply believed that they were on the brink of irreversible damage as the result of only meager salary raises in the past, ones that had not kept up with inflation and had eroded their ability to compete with comparable institutions of higher learning across the nation. With no pay raise at all, these problems would be compounded, and the morale of faculties already upset about years of perceived neglect by the state would worsen.

How UC Managed its Budget Cuts

In coming up with forced savings, UC had a much easier time of it than did CSUC, a fact that undoubtedly did little to assuage the latter's resentment of the former. The university's task was eased by its ability to dip into

two separate reserve funds (neither of which the state university system had) and withdraw $9.6 million, more than half of what it needed to meet the $15.4 million savings mark imposed on it by Sacramento. Choosing this method to address the savings problem involved more than a little irony. About $5.7 million of the savings was withdrawn from the university's education fee reserve. The education fee, as noted earlier, was an amended form of Governor Reagan's tuition proposal almost a decade before. Reagan, allied with a majority of conservative and moderate university regents, had imposed it on the system in 1970 over the vehement objections of both liberal legislators and university administrators. By 1978 the fee was about $100 a quarter. The money raised by the fee was used principally for student financial aid; some of it, however, was also put into a reserve fund. Without this fee and the reserves it generated, the university in 1979 probably would have found itself in a tight spot, but thanks to Ronald Reagan and his allies, this was averted.

The university withdrew an additional $3.8 million from another reserve fund generated by savings in malpractice insurance costs (at the teaching hospitals of the university's medical schools) and in costs for utilities. These steps left the university with a balance of $6 million to be achieved in forced savings. Again, in coming up with part of this remaining balance, the university turned to an option not available to the California State University and Colleges.

The university cut the $6 million in half by imposing a partial hiring freeze for the 1978–79 academic year and thus saving $3 million earmarked for salaries for positions that would now be left unfilled. CSUC also had a hiring freeze, but as in all other state agencies, the freeze had been imposed by Governor Brown. Because the university is constitutionally autonomous it was not affected by the governor's mandate.

That the university voluntarily chose to follow the mandate, if only partially, presumably reflected a decision that a partial hiring freeze was the least painful of the options available for saving money. The point is that the UC had a choice; CSUC did not.

Having saved $3 million by the partial hiring freeze, the university was left with $3 million in savings from its original 1978–79 budget to find elsewhere. At this point, UC President David Saxon threw the ball to his nine campus chancellors, telling them to come up with the remainder of the savings. Saxon sent the chancellors guidelines to be used in determining the reductions to be made. The guidelines were very general—in effect, cautions to be careful, underscored by a clear but between-the-lines message not to cut any one thing too deeply. By and large, the chancellors restricted their reductions to such areas as the purchase of instructional and laboratory equipment and maintenance on campus physical plants.

After all the reductions were made, UC ended up with a 1978–79 budget of $751.1 million, representing an $11 million, or 1.9 percent, increase over 1977–78. Essentially, the 1978–79 budget allowed the university to continue but not to expand its programs. Although the 1.9 percent increase was less than those of the previous ten years, it was, like those, yet another in a string of "maintenance budgets."

How CSUC Managed its Budget Cuts

The 1978–79 budget for the California State University and Colleges was $681.3 million, which was a $15.3 million, or 2.3 percent increase over the previous years. Like the university's, this was a maintenance budget.

Unlike the university, CSUC, in meeting its $14 million forced savings target, did not have an education fee reserve fund (it had no education fee) nor malpractice insurance savings (it had no medical schools)—nor, for that matter, any other substantial pool of reserves or savings.

CSUC officials decided to make reductions in a variety of different areas. Within the $14 million mandated savings, $5.6 million had to come, under the state mandate, from the day-to-day operating expenses and equipment upkeep sections of the system's budget. This was accomplished by eliminating funding for estimated cost of inflation in these areas during 1978–79.

"What we did," explained Lou Messner, the system's budget director, "is that we took out the price increase that we had built into all the [nineteen] campus budgets and, at the same time, we gave flexibility to each campus to scatter that reduction" as it chose.

Not surprisingly the CSUC campuses took a variety of approaches to producing these savings. What generally fell to the axe was the maintenance of old equipment and the purchase of new equipment, and such other activities as out-of-town or out-of-state professionally related travel. To many system officials reductions of this sort clearly fell into the category of "penny wise, pound foolish," although they realized they had no choice but to make them. By putting off equipment maintenance, for example, system officials were expediting the time when the equipment was hopelessly beyond repair and had to be replaced. In most cases, replacement would be far more expensive than it would have been to maintain the equipment in the first place. Lack of funds for items such as travel to and from professional conferences, meant that morale, in a system already beset by morale problems, would suffer. This too would hurt the system, and officials knew it.

An additional $8.45 million had to be saved, under the mandate, in the personnel services section of the budget. Of this total, systemwide officials

saved about $6.7 million, primarily by not filling vacant or previously budgeted positions in such areas as employee affirmative action, computer programming, campus police departments, and the grievance and disciplinary procedures office. The nineteen CSUC campuses were given the responsibility of coming up with the remainder of the forced savings, $1.7 million. Again, they were allowed the discretion to make reductions where they thought best. The responses varied widely, although most of these savings were made by not filling vacant administrative, faculty, or clerical positions.

Proposition 13 and Declining Enrollment

Making matters worse for the California State University and Colleges was the fact that, along with reductions compelled by Proposition 13, they were hit with an unexpected 3 percent decline in enrollment, which meant further budget reductions. CSUC had been given money by the state for students who had not enrolled, and the system owed the state a refund of about $3.1 million. Under state law the CSUC chancellor can keep all or some of the money, instead of refunding it, if he can persuade the California Department of Finance that the loss of money would result in widespread layoffs of faculty. The chancellor asserted that the entire $3.1 million was needed to prevent layoffs. The Department of Finance, however, decided that a little more than $1 million was all that was needed. Therefore, the system kept about $1 million and refunded $2.1 million. In the end, no permanent faculty members were laid off.

But according to system officials, many part-time faculty members were not rehired during 1978–79, which forced either an increased workload on existing full-time faculty or the elimination of the courses that part-time instructors were supposed to have taught. If this indeed happened, it is difficult to determine exactly what was responsible for it: reductions imposed by forced savings, the enrollment decline, or a combination of the two. Therein lies the difficulty in assessing the impact of either Proposition 13 or the enrollment decline on the California State University and Colleges.

This was underscored in a survey of individual campuses conducted by systemwide officials in an attempt to determine the effect of Proposition 13. Many responses were heavily qualified with statements to the effect that certain reductions had been made, and that they had hurt the quality of the campus, but that the campus didn't know whether the enrollment decline or Proposition 13 had been responsible for this.

Stephen Horn, president of California State University, Long Beach, noted in the survey that his campus was not forced to leave faculty positions

unfilled, nor were any planned programs cancelled—the latter because Long Beach did not plan for any new programs "in light of budgetary limitations prior to Proposition 13." Horn pointed out that science laboratories were not funded in 1978–79 as they should have been, which he expected would lead to a "degradation of the quality and quantity of laboratory experience." Horn said that the campus also had reduced the amount of money paid to part-time faculty, which resulted in a "part-time faculty with less experience than is desired."

In all, said Horn, his survey response "is . . . not definitive because the effects of the proposition [13] are subtle and pervasive and also because the full impact of Proposition 13 is not yet apparent." But, he added, there will come a time when the effects are very apparent, and then it will be clear that the price of frugality has been very high:

> The effects of the current budget cuts will not be clearly seen for several years. Specifically, students representing the areas of ethnic cultural groups, international students and women will realize . . . that this university is no longer serving their needs. I believe we will be, at that point, in an early 60s situation where the students are resentful and frustrated because the programs which speak to them simply no longer exist.
>
> If this university and higher education in this state become simply service stations pumping out fragments and unrelated units of knowledge, we are doing residents of this state a great disservice.

Concern about the Future

Anthony Moye is CSUC's assistant vice-chancellor for program development (an ironic title in a time characterized by the threat of shrinkage, not growth). Both thoughtful and optimistic by nature, he is now, like many other educational leaders in the aftermath of Proposition 13, also worried about the future.

Moye conceded that it is difficult to separate the effects caused by Proposition 13 and the enrollment decline. Both factors have resulted in budget reductions, and hence a lack of suitable equipment in science labs, and in a drop in faculty morale.

> No new programs, and programs on a shoestring. And then we're asking faculty to work all the harder to evaluate rigorously the programs that are left and to keep only the best. But mind you, when we say that we're saying to faculty: "You've got to tell us which of your colleagues will lose their jobs."

The question, continued Moye, is whether the system can maintain quality programs. "I wish I could say, of course we can, we'll tighten our belts a notch. But I'm not sure, I'm not really sure."

The cumulative effects of the budget reductions seem inevitably bound to take their toll, Moye believed. Some of these will be subtle and difficult to discern, but they will be harmful nonetheless:

> If a young person goes to the library and finds a book not there that is needed for a project, how do you quantify what the harm has been? I don't know, except that in some way that student doesn't function as well on the job as he might have.

Other possible effects suggested by Moye will be less difficult to detect. "I fear for accreditation of programs. . . . You see, it takes ten to fifteen years to build up quality and may take two or three years to lose it," said Moye, adding that further budget reductions might lead to program reductions and a loss of faculty, all of which could add up to a loss of accreditation. This would of course be a serious blow to a quality-minded university.

Many CSUC officials are battle-weary, tired of fighting the budget wars in Sacramento, tired of struggling not for gains but to prevent losses, tired of being asked by the Legislature to make budget reductions and then, having made them, facing a barrage of unfriendly questions from lawmakers about why certain reductions were made. Moye shared that weariness and reflected the feelings of others not only within his system but within the University of California as well.

> It's like being told you can cut off your left hand or your right hand, and you say 'But I don't want to cut off either hand.' But that's not an alternative. You can either cut your left or your right, and when you say "I don't want to cut either," they say, "no good, you lose, next person."

"Reluctantly, a decision is made to cut either one hand or the other," said Moye, setting the state for the next Catch-22 scenario:

> Legislator: You say such and such program is good?
> Educator: Yes
> Legislator: But you cut it out!
> Educator: Yes
> Legislator: Why?
> Educator: Because you cut the funds from the budget.

"It's like the Perils of Pauline," said Moye, drawing another literary parallel.

> You can drive someone to the edge of the cliff so often 'til finally when . . . you go to pull them back, they say, 'To hell with it,' and jump over.
>
> And I'm wondering at what point on campuses [the] faculty is going to say, "I don't want to be rescued anymore, to hell with it."

This observation led to a crucial question about the current crop of educational leaders who entered the profession during the halcyon era of seemingly endless growth. Can they cope, can they lead in an era of limits and little or no growth?

It won't be easy, said Moye with characteristic candor, but it can be done with the adoption of a new perspective build on new definitions of progress.

> You can build and you can build in a year of limitations, it's just harder. In order to build you have to make decisions. You have to be able to find in every proposal the part of it that's positive and cut away the rest. You have to find some way of moving ahead because that's really what education is about.
>
> In the 60s we grew eight, ten, fifty percent a year. Then in the late sixties and early seventies, the system wanted to start 20 new programs, for example, but only got enough money to begin 10.
>
> Now the problem is you've got to terminate five to start one. It's a problem of a very different kind. You really can't be a leader and be negative. I really believe that some good may come out of all of this. If we rethink our direction, rethink our programs, we ought to come out of this with stronger programs, maybe fewer but stronger. And that's the sign, I think, of good leadership in the system—if we come out the better for the process.

Like many educators, Moye can still discern a silver lining in the clouds that have gathered in the wake of Jarvis-Gann.

The Salary Issue

But if reductions necessitated by Proposition 13 posed new, perhaps positive challenges to at least some within the educational leadership in California, low or no salary increases did not. There was no silver lining to be found in not being paid a reasonable salary. And there was nothing reasonable about the salaries paid to staff, faculty, and administrators at either the University of California or the California State University and Colleges. So it was believed, at any rate, within both systems.

Thus of all the perceived effects of Proposition 13 it was the fact that no one in either system received a salary increase in 1978–79 that most angered employees of both UC and CSUC. Accompanying the anger was the belief that the lack of salary increases posed the most serious threat to the educational quality of both institutions.

Of all educational leaders, the one who expressed concern about the salary issue the most frequently was University of California President David Saxon. During a legislative budget hearing in May of 1979, Saxon put

it this way:

> I want to emphasize that faculty salaries are among the most troublesome of the problems we face in adjusting to the shocks of last year's [post-Proposition 13] budget reductions. It is important for you to understand that last year's action compounded an already severe problem of noncompetitive salaries for our faculty.

Saxon went on to say that in three of the preceding nine years faculty members had received no cost-of-living adjustment to their salaries and that as a result the university now lagged behind "those distinguished institutions with which we compete for faculty" (such as Stanford, Harvard, and Yale). Saxon illustrated the seriousness of the problem by citing a statistic that is distressing in the extreme: more than eighty candidates for faculty appointments at UCLA since July 1977 had either withdrawn their names or rejected offers because of salary or cost-of-living considerations.

Saxon was of course not alone in his feelings about the inequity of salaries paid to those in higher education. Responding to the state university system's survey on the effects of Proposition 13 on its campuses, President Horn of CSU, Long Beach, wrote of the psychological effect that inadequate salaries has on educators.

> There is a widespread feeling of malaise in the University. This seems to center around a vague but powerful feeling among our personnel that the "psychological contract" between the employee and the State has been broken as evidenced by the withholding of adequate compensation for their services by the state leadership and a general lack of trust for their work.
>
> This has resulted in feelings of frustration for many and—for some—the recasting of career plans to move out of the Univeristy into other employment. Among some of those who remain there is a growing tendency to "work to rule" and to avoid acceptance of tasks beyond those absolutely required."
>
> We have been experiencing a substantial increase in turnover of employees. Many people do not see continued state service as an attractive career choice. They are leaving as opportunities become available.
>
> Given the current salary situation at the University, too often able people have the greatest opportunity to move and they now are among the first to go.

Horn said that Long Beach had lost an "excellent chemist" to private industry and "one of our ablest young biologists resigned to take a position at the University of Washington."

But if Horn, Saxon, and others believed that public higher education in California has been hurt by low salaries, there are some who do not, primarily because they don't believe the salaries are low. The most prominent

among these, is the highly respected office of the Legislative Analyst. In a 1979 report to the Legislature, the Analyst said:

> UC and CSUC contend that their faculty are at a disadvantage compared to faculty nationally. Our review of relevant data does not support this conclusion. In fact we believe that California faculty—particularly those within the University of California system—are receiving an extremely high level of support from the taxpayers of California that compares favorably with faculty in other states.*

The analyst's report notes that this may seem surprising given the fact that the state did not even give inflation salary adjustments in 1978–79.

> This phenomenon is explained by the facts that (1) California has traditionally paid its faculty salaries which compare favorably with those paid by comparison institutions, particularly the public institutions . . . and (2) California faculty received merit step adjustments [increases given essentially for completing another year of service] and promotions in 1978–79.

One shortcoming of this argument is that the University of California (particularly the Berkeley and Los Angeles campuses) has traditionally competed for faculty with high-paying private institutions such as Stanford, Harvard, Yale, and Cornell; and figures in the analyst's report show that average salaries paid to faculty at the university are behind average salaries paid by these institutions. For example, the average salary at the university was $24,400 in 1978–79, whereas at Stanford it was $27,200 and at Harvard, $27,700.

On the other hand, the data show that the average salary at the university is, in fact, higher than the average salary at some respected public institutions. For example, the average salary at the University of Michigan in 1978–79 was $22,900, at the University of Wisconsin, $22,300, and at the University of Illinois, $22,400.

What this all serves to illustrate is that after Proposition 13—as before—opinions about the relative health of higher education in California differ widely. Those within the institution believed that if they were not in trouble now they soon would be. Whereas those within the state policymaking apparatus in Sacramento believed that given the national and state economic and political climate, the state's systems of public higher education were doing fairly well. To a large degree opinions were equally divergent about the relative health of the public schools. This disagreement seemed likely to persist, perhaps rightfully so, given the inevitable tension between those who want more state money and those who are empowered to give it.

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*_Budget Analysis, 1979–80_, Office of the Legislative Analyst, Sacramento, February, 1979, p. 1395.

V

The Second Bail-Out

Public education in California was not seriously hurt during the first year of Proposition 13 and it would not be seriously hurt during the second. The reason for both circumstances was the same: a large state surplus.

The various sectors of public education were to emerge with 1979–80 budgets larger than those provided in the wake of Proposition 13. Again, these were essentially "maintenance budgets," with the increases generally reflecting the amount needed to keep up with inflation.

The Salary Increase

If the budget picture in the two years was similar, however, the salary picture was not. In 1979–80 all state employees—including faculty and staff of the University of California and of the California State University and Colleges—received, on the average, a 14.5 percent salary increase. In part, the size of the increase was attributable to the fact that no salary hikes had been given to state employees the year before. It helped faculty of both systems of higher education move slightly upward toward the levels of purchasing power they had had in 1969.

The salary increase was the primary substantive difference in the way Sacramento treated public education in 1978–79 and in 1979–80. It was also the most dramatic. When, in July 1979, the Legislature sent Governor Brown a bill calling for a 14.5 percent pay increase for all state employees, Brown vetoed the bill and instead gave employees a raise of approximately

12 percent. In a rare move, however, the Legislature overrode the governor's veto, thus giving lawmakers what they wanted in the first place: the full 14.5 percent salary increase for state workers and a chance to take a swipe at Governor Brown.

Partisanship Resumes

It was that kind of year in Sacramento. The much-heralded bipartisanship of the previous session gave way to a more familiar, if less productive partisan posturing on virtually every issue, including those related to Proposition 13.

Such partisanship tended to foreclose the possibility of substantive discussion—not to mention action—on a long-range solution to Proposition 13. Any major reform proposed by the majority Democratic party, for example, would have required the support of at least some Republicans to achieve the two-thirds majority vote needed for passage of any budget-related bill. Most Republicans, chagrined to have lost the leadership over a conservative issue such as Proposition 13, were in no mood for cooperation with the party that had outflanked them.

Presenting another hurdle to any long-range solution was the growing estrangement between many Democrats in the Legislature and Brown, the Democratic governor. The reasons for this rift were varied and complex. Among them were perceptions in some quarters that Brown had failed to provide leadership during the critical first bail-out session and had refused to grant salary increases to state workers in 1978–79 even though there was enough money in the state surplus to have done so. There also appeared to be at least subliminal anger about Brown's apparent preoccupation with his then-unannounced candidacy for President of the United States.

For those who had rejoiced at the bipartisanship of the bail-out session, it was all rather depressing. As Assemblyman John Vasconcellos put it:

> When we came back to a new session in August the pressure was off and elections were coming up. It was the lowest point of my twelve years here. It was a disgrace: partisan games, posturing for the press. It was an ugly time. I came close to just quitting. I found it very distasteful.

Another Short-Range Solution

Early in the new legislative session, it became clear that tackling any major policy issues that had arisen as a result of the passage of Proposition 13 would be extremely difficult. Vasconcellos and Senator Albert Rodda, as well as others in key education-related posts in the Legislature, apparently

decided that the best strategy was to limit the goals of what might be accomplished during the session. This translated into attempting what was sure to succeed. The end result of this strategy was reminiscent of a sequel to a hit movie: it was disappointing—not so much because it wasn't adequate, but because the provocative possibilities evoked by the first effort were ignored the second time around.

The second bail-out, then, was similar to the first. The primary difference between the two was that the money given to both local and state educational entities in the second bail-out was adjusted upward to meet the costs of inflation.

Aid to Elementary and Secondary Schools

The public schools, kindergarten through the twelfth grade, emerged with $6.8 billion or 8.7 percent more money from the state in 1979–80 than they had received the previous year. Although there were threats, principally by the Brown administration, to eliminate or cutback some categorical programs, such as the School Improvement Program, increases in funding actually occurred.

Aid to UC and CSUC

The California State University and Colleges, although forecasting yet another decline in enrollment, received, excluding money for salary increases, $719.5 million, a 4 percent increase in funds. The University of California received, excluding salaries, $799.8 million, also representing a 4 percent increase.

Tuition, which was never seriously discussed as a possible means for reducing the amount of money needed by higher education from the state, would again be unnecessary. Of all the potential minefields, tuition was the most eagerly sidestepped by a governor running for President and a legislature facing re-election campaigns in 1980.

Aid to Community Colleges

In 1979–80 the community colleges received about $1 billion, 8 percent more than in the previous year. Unlike the other segments of public education, however, the community colleges were subjected by the Legislature to some reforms in the way they would be financed in the future.

The Legislature shifted from the "block grants" that had characterized the first bail-out bill for community colleges and reverted to a formula that delivers money to local districts on the basis of student attendance (average daily attendance, or ADA). The Legislature also adopted the principle of

"incremental" costs: the gain or loss of a full-time student would now change the amount of state support not by the statewide average cost per student (about $1,650), but rather by two-thirds of that amount (about $1,100). Further, the new formula limited the amount of state support available to a 2 percent increase in statewide attendance. Since the 1979–80 growth in ADA has been about 6 percent, this means that much of the enrollment increase will not result in any additional dollars from the state.

Much controversy also arose about the need to apportion state revenues among districts in a fashion that would narrow the variation among districts in expenditures per student. (This was largely an inheritance of the era when most community college revenues came from local property tax rolls.) The issue of interdistrict "equity" pitted Assemblyman Vasconcellos, a strong proponent of leveling district expenditures per student, against a rather unified phalanx of community college groups. Ultimately hammered out was a compromise that gave high-spending districts lower increments to meet inflation than those received by low-spending districts.

The change imposed on the community colleges, however,were not the actions of a reform-minded Legislature or executive branch of government. Rather, they represented an attempt to check possible runaway enrollment growth in the only segment of education where a substantial increase in the number of students was a possibility. More students, of course, meant more money from the state, and more money from the state meant more of a drain on the state surplus, and this was to be avoided.

Unaddressed Issues

So at the end of the legislative session in July 1979, the Legislature, with great fanfare, produced a bail-out bill that lawmakers heralded as a long-range solution to Proposition 13. In essence, the "solution" simply put into law the use of the general fund surplus to bail-out local government and education. With equal fanfare the bill was signed into law by Governor Brown, who similarly described it as a long-range solution. In fact, it was long-range only if one believed that the state surplus would last forever. And few did.

According to Governor Brown, the second bail-out was a "long-range solution" because it had a permanent fail-safe feature that theoretically would prevent the state from being over a barrel if and when the surplus began to dwindle.

If the surplus shrank, the fail-safe mechanism would adjust downward the amount of money local government and education would receive from the state.

Left unaddressed was a panoply of questions, the answers to which seemingly would be fundamental to any long-range plan. Now that the state was providing most of the money, what would happen to local control of the schools and community colleges? What about the *Serrano* decision? Could its requirements be met? If so, given the constraints on state resources imposed by Proposition 13, could *Serrano* be implemented without "leveling down" high-wealth districts? Given what many believed would be increasingly tight fiscal constraints on the state, could both the general education program and the numerous categorical aid programs be financed?

A key but undiscussed question in higher education was whether tuition would be necessary at the community colleges, the California State University and Colleges, and the University of California when the surplus began to shrink. If tuition at the community colleges, for example, became the only alternative to dwindling state resources (and many community college educators privately believed it would), what would happen to student access? Wouldn't tuition at least partially close the door to a system founded on the notion of virtually no-cost access to anybody who chose to pursue higher education?

In the proposed 1979–80 budget, unveiled in January of 1979, Governor Brown and the California Department of Finance did recommend changes that addressed some of these questions. For example, the Governor, proposed that the state terminate financial support for the mentally gifted and for drivers training programs. He also proposed essentially no increases for the School Improvement Program. In higher education, Brown's Department of Finance proposed the introduction of a tuition-like student services fee in the community colleges, and new fiscal incentives to encourage the colleges to get students through the system as quickly as possible. Privately, the Department of Finance also favored the establishment of regional boards of trustees to replace local district boards, now viewed as somewhat obsolete because the state—and not local property owners—was now providing 80 percent of the operating money to community colleges.

Some of these proposals were in fact contained in bills introduced in the Legislature. All were controversial, however, and largely because of this the bills languished, unattended and unpromoted even by the governor.

Governor Brown Bows Out

After the initial proposals made in January, Governor Brown in fact remained generally silent about Propositon 13, offering no suggestions, at least in public. What public comments he did make most frequently concerned national or international issues—which of course did little to improve his already strained relationship with the Legislature.

That the relationship between the Legislature and the governor was growing increasingly strained can be seen in an extraordinary letter from Assembly Speaker Leo T. McCarthy to Brown on June 1, 1979. The letter, written just a month before the legislative sesison was scheduled to end, made it clear that McCarthy, who as speaker was the most powerful man in the Legislature, was displeased with Brown's lack of participation and leadership during a session which at best can be characterized as difficult.

"While members of the Department of Finance staff have participated in a few meetings with legislative staff," wrote McCarthy, "these have been primarily informational and have not resulted in the cooperative development of legislation." And even though there was only a month left to cope with the various problems raised by Proposition 13, McCarthy made a plea to Brown for help.

> I want to once again solicit your personal involvement in the creation of a serious remedy to achieve a long term solution to local government financing. While I appreciate receiving the Department of Finance's analysis of pending legislation, I continue to believe your active participation in fashioning legislation acceptable to two-thirds of the members of the Legislature is more important.

An Uncertain Future

In the end the Legislature produced, and the governor signed into law a bill that represented essentially another short-range, one-year solution to Proposition 13, rhetoric to the contrary notwithstanding. And as a new session of the Legislature convened in January of 1980 there was little hope that the new year would produce anything but another short-range solution. Brown, by now an announced candidate for President, was out of the state more frequently than he was in it. When he spoke he talked of Iran, Afghanistan, and the energy crisis, not of Proposition 13 and the need to come to terms with the outstanding issues it had raised.

As of January 1980, the Democrats on the Assembly side of the Legislature were locked in an internecine battle over the Assembly speaker post, with Republicans sitting on the sidelines uninvolved, presumably amused, and essentially powerless to move any legislation until the Democrats stopped feuding. Most members were up for re-election in November, making it unlikely they would tackle anything controversial during the intervening months. Most important, the surplus was still large, making a third bail-out the most likely end product of yet another legislative session.

There was one large, black cloud on the horizon, however. Jarvis II or more properly Proposition 9, had qualified for the June primary election

ballot. Authored by Proposition 13's Howard Jarvis, this initiative would reduce by one-half, on the average, the state income tax paid by an individual. Best estimates are that Jarvis II would result in a $5 billion loss in revenue in the state's general fund during the first full year after its passage. This estimate assumes the cost would take effect on January 1, 1980. The revenue loss would be closer to $3.4 billion if the cut takes effect after the June 1980 election. Among other things, the passage of Jarvis II would mean considerably less money available to bail out local school districts and the community colleges. By early 1980 it was still too early to assess the potential consequences of Jarvis II.

VI

Lessons and Prospects

We conclude by addressing three questions:

- How much damage has been wrought by Proposition 13 upon public education in California?
- What lessons does the passage of Proposition 13, and its subsequent impact, carry for public officials and educators in other states?
- What lies ahead for public education in California in the 1980s?

HOW MUCH DAMAGE THUS FAR?

California's ship of state and local government has not sunk in the wake of Proposition 13. Rather, it has paused, shuddered, and proceeded at reduced speed. Understandably, in the teachers' lunchroom, the faculty club, and the halls of the Legislature there is talk of "decline."

Yet virtually no tenured faculty members have been laid off, students are still offered a dazzling variety of educational offerings at all levels, and the state policy of low fees in higher education, including no tuition in the community colleges, continues.

If Proposition 13 has caused a deterioration in California's system of public education, that deterioration must be measured in terms of aspiration and morale. The drop in morale is widely reported and undoubtedly real. Many teachers wonder about the security of their posts; untenured college faculty members are wise to work harder in order to gain tenure; the pleas-

ures of administrative life are fewer, as are the prospects for easy advancement and a crack at a presidency or principalship down the road.

Public education in California has not yet entered an era of institutional decay, professional defection, or political holy wars, however. Rather the present is one of increased stresses and strains. The paint on some walls is peeling, and broken windows take longer to fix. A library book is not available because it was never purchased and library hours are shorter. The counselor may be too busy to see you. Recent Ph.D.s are more likely to sell real estate than to stick it out with part-time teaching positions in the hope of permanent appointments. More spouses complain, "But, dear, they're not paying you enough to grade papers this late at night."

While public education in California now has its shabby corners and its disgruntled employees and constituents, it still boasts an extensive and attractive physical plant, a highly trained corps of teachers and administrators, several million students, many of whom are serious and highly motivated, and a budget of over $13 billion. CSUC Chancellor Glenn Dumke's assessment is apt: "We may be in a state of decline, but we are declining to be the biggest and the best." Certainly California's educational system is the biggest in the United States and remains, by general agreement, among the best in terms of every tangible measure of access and excellence.

LESSONS FOR OTHER STATES

California's experience with Proposition 13 is easy to overgeneralize. What has happened in California is somewhat unique for several reasons:

While the price of real estate has been rising throughout the United States, the rate of increase in California has been especially high. This has fueled public anger over the property tax, as have California's laws requiring business and residential property to be assessed at the same rate. Assessment practices vary widely among other states.

While the initiative constitutional amendment is a device available to California voters to override the decisions of elected officials, comparable mechanisms are not at hand in many other states. Some states where the initiative can be exercised do not have the tradition of popular acceptance that exists in California.

The degree of "state" control as compared with "local control" varies by state and level of education. Thus, in some states, there is less potential for centralizing power over education if a tax limitation is affixed to a revenue source that supports local government but not state tax sources.

The immediate impact of tax limitation depends upon the amount of surplus money and reserves available to state and local government. In recent years, California has had one of the largest state surpluses in the United States.

The ability of California state government to detect and cope with taxpayer discontent was obviously affected by the character of its major state officials and especially by the relationship between the governor and the Legislature and between the two houses of the Legislature. Some states have a more harmonious set of relationships in the state capitol, others do not.

The condition of public education after the imposition of a tax limitation obviously depends on the severity of the limitation, the presence of other major forces (such as enrollment trends), and the condition of public education before the limit is imposed. Proposition 13 is a relatively severe limit. At the same time, account must be taken of enrollments that, for the most part, are declining in California and of the extensive investment that California has made in public education since World War II.

Consideration of California's particular political and economic situation at the end of the 1970s, and weighing the provisions of Proposition 13 (as one variant of a tax limitation) and pre-existing conditions in California public education, should help observers outside California develop an appropriate discount factor as they probe for the implications Proposition 13 has for public education in their own states.

Several features of the California experience appear, at least in the minds of two California observers, to have relevance for other states.

It Can Happen

The first "lesson" to be drawn from California by other states has already hit home: Proposition 13 can happen. The mood of California voters is not unique, although the level of discontent and its targets may not be duplicated elsewhere. In the case of Proposition 13, an overwhelming majority of the voters rejected the entreaties of most government officials and leaders of organized labor, as well as a significant faction of both business leaders and the mass media. It is highly doubtful that the persuasive powers of the "establishment" will prove more effective in many other states.

Surplus Is Dangerous

In the words of one California legislator, "Don't give them a surplus to shoot at." The existence of a multi billion-dollar surplus in California's

treasury caused several problems. To begin with, the existence of the surplus demonstrated that the state was collecting more tax money than even government officials were willing to spend. Thus the surplus became the prime example of "fat" that could be cut without posing any threat to needed public services.

Next, the inability or unwillingness of state officials to provide accurate or stable estimates of the size of the surplus not only impeded legislative attempts to return it to taxpayers, but also contributed to the belief that "the politicians" were "playing games" and "hiding something." The fact of the surplus and the absence of credible estimates of its size proved to be useful ammunition for Howard Jarvis, Paul Gann, and their supporters.

Finally, and of the greatest significance, the "bail-out" of local government that was financed from the surplus meant that the voters could have their cake and eat it too. Property owners received a major reduction in their property tax bill with little or no dimunition of public services. A February 1979 statewide Field Poll shows that more Californians think that local government spending has not been cut enough (39 percent) than think it has been cut too much (19 percent) in the wake of Proposition 13. By delaying the full impact upon state and local government of the permanent withdrawal of 60 percent of property tax revenues, the surplus has cast Californians into an unreal world where taxes decline but services do not. This had lead, as we shall discuss more fully below, to yet more attempts to limit government revenues and cut taxes. The surplus has caused a lag in the public's response to the consequences of its ballot choices. In several years, the voters may discover that they have gone "too far" in cutting government, with enduring consequences for the quality of the public sector in California and, hence, for the strength of the state economy and the quality of life in California.

Tax Cuts Don't Equal Efficiency

The third major lesson that can be drawn from the passage of Proposition 13 in California is that tax limitation is a way of causing a sense of austerity in government, but it does not necessarily lead to greater efficiency or effectiveness. When legislators and bureaucrats are forced to re-examine their priorities in the face of new budget constraints, they discover, for the most part, programs they helped to create (and still believe in) and employees who are competent and whose termination would prove distasteful. There are obviously exceptions to favorable judgments about existing programs and employees, but the programs that appear expendable to one official are often staunchly defended by other officials and by an organized constituency. Employees whose competence proves doubtful on the basis of

informal and informed opinion are often the same employees who are protected by the stringent due-process provisions of the civil service.

Nearly two decades of work on "program budgeting" and of massive expansion in program evaluation has not yielded a sure calculus to compare the benefit, say, of additional health expenditures versus more money for education. Nor is there an unassailable empirical basis for allocating additional funds for more intensive reading programs in elementary schools versus more financial aid for college students. Although Proposition 13 included strong rhetorical injunctions for government to spend wisely, it brought no new means to establish which expenditures were truly wise. As a result, where Proposition 13 led to budget cuts, the dominant theme has been the elimination of politically weak programs and employees who are least-senior in terms of service and are unprotected by contracts. The over-all result is certainly austere, but the contributions to governmental effectiveness and efficiency, much less to social justice, are indeterminant at best.

Thus other states should be aware that Proposition 13 has not ushered in a new era of managerial excellence or of informed discipline in the administration of public programs. The cumulative impact of Proposition 13 can be more accurately characterized as uncertainty about future budgets and anxiety within existing government.

Nor has the uncertainty and anxiety brought new emphasis on sober planning within government. Available information indicates that local governments tend to avoid facing the consequences of Proposition 13 until the reduction in revenues is upon them. Rather, the course of action preferred by local officials is to devote available energies to maneuver for the largest possible share of state bail-out funds. Undeniably, some officials have seized the opportunity forced upon them by Proposition 13 to make selective cuts and changes in their operations. But the use of Proposition 13 as an opportunity to make desired changes that were politically impossible in more affluent fiscal years does not emerge as the dominant pattern of government response.

"Accountability" Is No Preventative

The foregoing lessons are based upon our best reading of the California experience in 1978 and 1979. An additional warning, based as much upon speculation as upon experience, may prove helpful. Some analysts argue that the passage of Proposition 13 was motivated, in part, by a loss of confidence in the effectiveness of government agencies and, hence, that Proposition 13 might have been averted had government been more

accountable." In one school of thought, such reasoning leads to recommendations for estabishing measurable goals for government services, investing in formal evaluations of the attainment of the stated goals, and developing computerized data bases and management information systems keyed to the needs of large-scale evaluations.

This otherwise seductive line of reasoning has several pitfalls. First, there is question as to where additional "accountability" may prove helpful. Citizens are often convinced that public servants whom they meet perform satisfactorily, but that somehow the over-all system is failing. (Thus parents who are pleased with the particular school their child attends may assert that "the schools are failing.")

Second, public services characteristically have multiple functions, many of which defy quantification. Assessing the quality of public education involves both of these difficulties.

Third, "accountability" involves significant costs in both time and money to set goals and to collect and analyze data. The source of the new energy and new money is rarely specified in proposals for new forms of accountability.

Fourth, citizens have lost confidence in public services (to the extent that this often exaggerated assertion is true) without relying upon the results of "accountability" schemes. It is by no means clear that new forms of quantitative evidence will serve to reverse the erosion of public support.

These objections should not be read as an invitation to public officials to ignore the level of public confidence in government. Rather, we disagree only with one strategy that has been suggested to deal with the issue of public confidence. Other, more attractive strategies exist. These include a ruthless paring of expenditures that give the impression of needless extravagance (Governor Brown's rejection of an expensive automobile and a palatial mansion is one example) and extensive and intensive debates over agency budgets that draw interested publics into a better understanding of the complex and difficult trade-offs involved in budget cutting. Public officials also need to build more effective relationships with the media and thus enhance public understanding of government achievements and the existence of honest and persistent efforts to limit government expenditures.

In summary, then, observers in other states might heed the following messages:

1. The relatively unified opposition to tax limitation on the part of government officials and the state's "establishment" does not necessarily portend the defeat of such initiatives.
2. The larger the size of state surplus or local government reserves, the larger the size of the target for pro-tax limitation forces and popular

discontent; and the use of surplus to make up for the drop in tax revenue will lead voters to believe that it is possible to cut taxes and still retain services.

3. Tax limitation and budget cuts lead to austerity but not necessarily to more effective government or better planning; in somewhat oversimplified terms, government adapts according to established political imperatives but does not plan.
4. Beware of highly rationalized and complex new systems of "accountability."

WHAT NEXT IN CALIFORNIA?

One definition of a fool is "a person who predicts election results in California." Those who venture predictions about public education for the next few years in California, and those who read such predictions, should keep that definition in mind, for the fate of the state's schools and colleges is largely tied to two factors: the vitality of the state economy and the mood of the electorate.

If California can escape a serious recession in the next few years, and if state government keeps taxes at current levels and forecloses the initiation of expensive new programs, then it appears likely that the bail-out of local government (including schools) can be continued at current levels with annual adjustments for inflation. However, a major recession would reduce collections from the state sales tax and income tax, which account for almost two-thirds of state revenue, and thus require cutbacks at the state or local level, or both. Thus uncertainty about the state's economic condition is a major cloud hovering over the landscape of public education for the foreseeable future.

A more immediate threat is posed by the continuing exercise of the state's initiative process for amending the state constitution. Before examining the recent spate of new initiatives, however, it is useful to consider forces already at work in California public education even in the absence of new ballot initiatives.

Governance

Tensions are already evident in the state system of educational governance, where tradition and state law have favored considerable discretion at the district, campus, and school-site level, but where local sources of revenue now play a peripheral role. The tension is well exemplified in the area of salaries, where within the past decade the Legislature has created a collective bargaining mechanism that continues the responsibility of elected district governing boards for setting salaries in the elementary and secondary

schools and in the community colleges. Yet, as a practical matter, the money must come from the state via the Legislature and the governor.

The most dramatic incursion into local control as a result of Proposition 13 was the Legislature's ban on salary increases in local government as the price of the "bail-out" money. No such control was included in the second bail-out passed in 1979, however. Some people insist that politics must be logical and therefore predict either that the Legislature must set salaries on a statewide basis or that a direct source of tax revenue, perhaps local option on additional income taxes, must be restored to local boards. Such predictions probably underestimate the capacity of California's political system to continue the current structure and thus make an absurdity work. Two factors suggest that this strange, and seemingly unstable, arrangement will continue. First, no state or local politician who wants to be re-elected will press vigorously for new taxes to be set at either state or local option. Second, while state authorities in general and the Legislature in particular are frequently willing to curb "local autonomy," they also recognize that exercising additional authority carries a price. Every new decision that the Legislature chooses to make invites yet another set of political pressures and problems. Simply put, a state wide salary schedule would create another massive headache for the Legislature.

Where education is concerned, the Legislature for the past twenty years has gone through periods of "activism" (when it appeared anxious to play both state and local school boards) and alternating periods of restraint, when devolution of power seems in style. Similar cycles have affected the relations between the Legislature and the systemwide authorities at the University of California and the California State University and Colleges. On balance, the fact that more than 80 percent of the funding for the public schools, community colleges, and CSUC now comes from Sacramento creates new opportunities for state intervention. These interventions are likely to remain selective and episodic, however, rather than to constitute a revolution in educational governance.

The current problems in education are too intractable, and attractive solutions are too rare, for an intelligent and career-conscious legislator or state official to wish to wander far into the thicket of policy thorns. In the past decade, the number of California legislators who devote most of their time to bills in education has shrunk dramatically. Of the remaining legislative experts in education, several have senior positions and will be retiring in the near future. The remaining legislative specialists in education are likely to rely more heavily for policy advice on legislative staffs and on the Legislative Analyst. The California Postsecondary Education Committee is carving

out a role independent of both the public and the private institutions, and its counsel has gained influence in both the Legislature and in the California Department of Finance where the governor's budget is constructed.

Within the schools and colleges, educational leadership is being tempered by comparatively hard times. Officials are developing the capacity to make reductions in services even as their distaste for doing so grows. They claim to be planning for a constrained future, but, as in other social institutions, their plans for adversity are more properly described as strategies for avoidance. As noted earlier, educational leaders have not planned for potential adversity; instead, they have coped with adversity once it arrives.

Howard Jarvis was right at least in one respect: the agencies of government will spend every dollar they get. What Jarvis sees as venality, however, is actually a combination of understandable self-interest and a lingering belief that government's role is to solve social problems. Americans may have reached a point where we are not prepared to recognize social problems, or we may have convinced ourselves that collective action will not solve the problems we recognize. Government and its officials simply continue to act on an older faith that now seems out of style.

Under the force of external pressures, it seems likely that the character of leadership in California public education, at both board and administrative levels, will continue to be transformed in the next decade. Demographic forecasts indicate declining enrollments at every educational level at least through the mid-1980s (with additional declines in higher education likely through the early 1980s), and political forecasts indicate no decisive shift in current voter attitudes. Fourteen conservative Republicans were added to the California Assembly in 1978, and the voting records of many incumbents turned more conservative. These facts suggest that educational administrators will have to sharpen their skills at operating in state-level arenas, become more adept at improving the public image of their schools and colleges, and develop a critical eye toward their institutions, both because they will need to cut budgets and because they will be required to mediate the ensuing conflicts. The role of the educational administrator in California will become tougher and the prospects for being acclaimed a hero will dim.

Governing boards in public education will likely seek somewhat different candidates to meet the changing demands upon top administrators and will find themselves increasingly in the role of an appeals court with regard to their own institutions and in the role of lobbyist in Sacramento.

Boards must now operate under strict "open-meetings" law and must disclose major aspects of their personal finances. For many board members

the experience has changed from being a participant in a relatively comfortable club to that of being part of an arbitration panel in a very unruly industry where one's decisions are constantly subject to change by the Legislature. In the next decade fewer candidates may be willing to raise the money and exert the effort necessary to secure election to local education boards.

Personnel

The new state collective bargaining laws and the scarcity of funds for salary increases set the stage for issues involving educational personnel in California. Given tight local budgets, union representatives are likely to want more voice in a variety of budget decisions that will influence the amount of revenue available for better salaries and fringe benefits. The posture of teacher-union leadership in both the elementary and secondary schools and the community colleges will likely remain aggressive because of tight budgets and the continuing fight for dominance between the California affiliates of the American Federation of Teachers (AFL-CIO) and the National Education Association.

On the other hand, boards and administrators now tend to take tough stands in opposition to union demands, and recent teacher strikes at the elementary and secondary level have ended rather unhappily from the union perspective. A major factor in these strikes has been strong public sentiment for minimizing increases in public employees salaries.

No resurgence of attack upon teacher tenure has occurred at any level, but more school strikes might well change that picture in the new decade.

The most agonizing personnel issue continues to be the fate of affirmative action programs at a time when the number of jobs is shrinking. The ranks of employee organizations are divided on this issue and emotions run high since layoffs tend to follow seniority lines and most minority employees are among those most recently hired. Several bills have been considered in the Legislature to loosen the strength of seniority rules, but no politically satisfactory alternatives has yet been devised.

One form of relief from the "surplus" corps of teachers may be at hand as college students turn away from preparation for teaching careers. Indeed, based on the number of elementary school students, the supply curve of teachers may intersect the demand curve by the end of the 1980s.

Curriculum and Student Fees

Without new discretionary funds, exciting new developments in curriculum or instruction seem unlikely in the next decade. As elsewhere in the United States, the "basics" are very much in vogue in California, as is the

impulse to make sure that students have "marketable" skills. Popular and legislative concern with sagging test scores may well mean a decline in the number of elective courses offered in California high schools. California's elaborate set of categorical programs must increasingly compete with calls for general support with no strings attached. Current categorical programs will likely be subjected to more searching evaluation and be vigorously defended by their constituents. The outlook for new categorical programs is very dim.

At the postsecondary level, only steady inflationary increases have occurred in the UC and CSUC student fees instituted under Governor Reagan. However, the passage of Proposition 13 has brought the widely dreaded term tuition out of the closet even in the state's community colleges, which have maintained the last major holdout against tuition and significant student fees in the United States. Any further setback in funding levels for postsecondary education will trigger a major debate about tuition and off-setting student aid policies.

The *Serrano* Decision and the Equalization of School Spending

The California Supreme Court set 1980 as the deadline for compliance with its decision in the *Serrano* case. The Legislature must now readdress a problem it thought it had solved with Assembly Bill 65 in the 1977 session, since the *Serrano* provisions of AB65 were gutted by Proposition 13.

The *Serrano* litigation asserted the premise that assessed property value differences between school districts lead to expenditure differences impermissible under the California Constitution. Proposition 13 has virtually reversed the problem. Prior to 13, school districts low in assessed value per pupil received substantial state funds, whereas districts with high assessed value only received a state mandated minimum of $120 per pupil. Proposition 13 slashed the revenue of districts with high assessed value, which had never received much revenue from property taxes. Had the Legislature not acted, the formulas in effect at the time would have caused all districts to lose revenue, but the low-wealth districts would have received relatively more revenue than their high-wealth counterparts—a reversal of the case prior to 13. The Legislature was faced with the awkward imperative of providing more money to the high-wealth districts than to low-wealth districts. Not to do so would have resulted in drastic program reductions in the high-wealth districts.

The plaintiffs in the *Serrano* suit are not pleased with the Legislature's actions and continue to demand greater compliance with the *Serrano* decision. The larger fiscal role now played by the state suggests the possibility of

full state assumption of educational costs at a nearly uniform basic rate. The Legislature's immediate problem is to determine the techniques appropriate for equalizing district revenue per pupil and the speed with which to implement the new techniques. Given the other legislative problems in the post-13 era, a solution to *Serrano* seems remote. What full "compliance" with the *Serrano* decision now means is not precisely clear. The state supreme court, with several new members, may well shift its stance with regard to a decision originally made nearly a decade ago.

The New Initiatives

While a persuasive case can be made that, in an era of general adversity in government, all levels (kindergarten through university) and all sectors (public and private) of education should join together in common cause, there is little evidence that such a coalition is forming. By and large, each contesting group or institution continues to press its separate interest before an increasingly impatient and vexed Legislature. It is not possible to say whether additional fiscal and political dilemmas will cause a united front to emerge in education where only a cacophony of separate voices now prevails. If a united front emerges, it may be in response to new initiative constitutional amendments that make educational policy.

Two initiatives qualified for the November 1979 California ballot, through voter petitions, and were approved by decisive three-to-one margins.

Constraints on Desegregation

The first initiative, Proposition 1, was spawned by an anti-busing backlash in the gigantic Los Angeles Unified School District after an integration plan had been ordered by state courts. The initiative amends the California Constitution and requires state courts to adhere to guidelines established by the United States Supreme Court in deciding when judicial intervention is appropriate in the desegregation of school districts. In recent years the U.S. Supreme Court has adhered to the doctrine that school authorities must have acted to foster school segregation before the federal courts are permitted to intervene. In contrast, the California Supreme Court has found a basis for judicial intervention upon a showing of de facto segregation, regardless of whether there was a discriminatory intent on the part of school officials. However, given recent trends of U.S. Supreme Court decisions, decisions that have moved that court closer to the stance of the high court in California, the impact of the amendment upon judicial intervention in Los Angeles is very much in doubt.

Limitations on Public Spending

The more consequential initiative, Proposition 4, was authored by Paul Gann, and was reminiscent of Governor Reagan's ill-fated tax and spending limit of 1973.

Gann argued that state and local government in California violated the "spirit of Proposition 13" by using the state surplus and local fees to increase the total cost of government. Proposition 4 imposes the following constraints on state and local spending:

1. Limits the growth in appropriations made by state and local government to the percentage increase in the cost of living plus the percentage increase in state or local population; when the rate of increase in the cost of living is larger than the rate of increase in per capita income, the latter figure is used.
2. Establishes the general requirement that state and local governments return to the taxpayers moneys collected or on hand that exceed the amount appropriated for a given fiscal year.
3. Requires the state to reimburse local governments for the cost of complying with "state mandates" (requirements imposed on local government by legislation or executive orders).

Gann collected the required number of signatures for his proposal with considerable ease. He had significant backing from the California Chamber of Commerce and the California Taxpayers Association. Assembly Speaker Leo McCarthy, who vigorously opposed Proposition 13, appeared with Gann to endorse Proposition 4. Unlike Proposition 13, no significant opposition emerged to Proposition 4.

In the case of schools, Proposition 4 bases the spending limit on enrollment (average daily attendance), rather than on population. Since elementary and secondary enrollment is declining, this may portend a smaller share of future public spending for elementary and secondary education. It also bodes ill for those districts where enrollment is falling most rapidly.

The initiative excludes from the spending limits cost increases due to court decisions and the federal actions. This might mean that school spending is exempt because of the court mandate in *Serrano*. On the other hand, if *Serrano* does not justify an exemption, the spending limits will make progress toward equalization of per-student expenditures across districts most difficult indeed. Other ambiguities in the initiative affect fees and service charges, what is to be included in the base year expenditures from which the new limits will operate, and the potential ability of governmental units to frustrate the initiative through the declaration of "emergencies."

A study of the initiative by the legislative analyst revealed that total state spending increased by more than the cost of living and population growth in six of the past ten years. Therefore, had the initiative been in effect, it would have resulted in some additional constraints on state spending. Because of the current high rate of inflation and growth in personal income, however, it now seems likely that for several years the ceiling on state spending established by Proposition 4 will rise more rapidly than state revenue. Some local governments may experience a squeeze on spending before the state does due to the Gann initiative.

Two additional petitions of immense significance to education were among a bumper crop of initiatives circulated for the June 1980 ballot. The first, a school voucher initiative, failed to garner the needed 550,000 signatures. The second, a new tax-cut proposal from Howard Jarvis, met the signature requirement and will appear on the June 1980 ballot.

School Vouchers

Under the voucher initiative, regular public schools governed by local school boards would still have been permissible. However, the local boards could have created "independent" public schools that would accept vouchers. That would have meant that parents could take their children to an "independent" school and the cost of attendance would have been paid by the taxpayers. "Independent" schools could also be created through parental petitions. Of considerable importance was the provision for private schools to participate in the plan and thus receive public financial support, including the cost of transporting students.

Proponents of the plan asserted that competition between schools resulting from the voucher system would improve the over all quality of education. They hoped that "middle-class" flight from the schools because of busing, perceptions of declining quality, and cuts caused by Proposition 13 would create a broad constituency for their petition. Supporters of the voucher initiative claim that their inability to raise $100,000 to finance the petition drive spelled its defeat. Another attempt to put vouchers on a future statewide ballot seems likely.

State Income-Tax Cut

The new Jarvis initiative, or Jarvis II (termed "Jaws II" by its opponents) would cut California state income tax revenues in half, beginning with the 1980–81 fiscal year. The loss in revenue caused by Jarvis II would be partially offset by the effects of inflation upon tax receipts and rapid increases in revenue from sale of oil from the state tidelands. As of April, 1980

the best guess is that unrestricted state and local budgets would decline by 5–10 percent in the first year after Jarvis II if its approved by the voters. Jarvis II would also "index" state income taxes to prevent taxpayers from being subjected to higher tax rates by virtue of inflation and would eliminate the business inventory tax. These last two steps, in modified form, have already been enacted by the Legislature and signed into law by the governor.

Although the political forces friendly to government programs in California are in retreat, a bitterly fought campaign over Jarvis II is likely. In the vote on Jarvis II—and in a future vote on the voucher plan, should that initiative reappear—Californians will be called upon to make decisions with profound implications for government in general and for education in particular.

CONCLUSION

In the late 1970s California's growing economy, harnessed to a progressive and diverse tax structure, created a substantial state surplus. That surplus enabled the voters to grant themselves a property tax cut while maintaining public services at close to existing levels. But the threat of recession and the continuing momentum of the political forces that oppose spending for government now pose a hard choice in California between lower taxes, on the one hand, or a decline in the quantity and quality of public services, on the other.

Since the beginning of the New Deal, the guiding spirit of American government has been, in the apt phrase of Professor David Kirp, one of "collective generosity." The crisis of the Depression and of World War II brought Americans face to face with threatening events that were clearly beyond our individual capacities to surmount. Most Americans were in "need" in the Depression, and all Americans were endangered by the world war. Both cataclysms provided strong glue for a national sense of community. A persistent optimism about things getting better and a confidence that government was a sensible instrument for collective action continued well into the postwar years.

Current public opinion polls now find that Americans are no longer optimistic about the future and no longer have much confidence in government. Furthermore, Americans harbor a sense of unfairness, a belief that "they" are profiting from inflation, "they" are causing the energy crisis, "they" are either enjoying cushy government jobs or bloated welfare payments. There is little public sentiment to dismantle government (except, to a limited degree, in areas such as welfare); the popular belief is that squeezing the "fat" out of government will suffice to lower taxes while providing the

services to which we have become accustomed. Americans have not turned mean—no one wants to starve the poor or punish the disabled—but Americans have become sober and skeptical. Yes, we can contribute to the worthy causes, but, sorry, the check won't be as large as last year.

These shifting sentiments are at the heart of Proposition 13. Educators take solace from the observation that Proposition 13 "wasn't directed at us." Polls show that the voters still want good schools and are not anxious to see necessary educational services reduced. Definitions of necessary services vary, however, and education no longer has a premier claim on either tax money or public affection. Public education is part of government, and government is in trouble in California.

California's schools and colleges have experienced enormous changes in the last three decades, and instability seems to be part of their future. California has valued public education more than have many other states—in part because public education seemed to be a good investment in the future of the state, in part because it promised a solution to social problems, and in part because it was a key to upward social mobility. It is hard to believe that Californian's basic support for education can be withdrawn as a result of current discontent over inflation, government, or test scores. Yet many Californians couldn't believe that Proposition 13 would pass.

That our federal system frees states to be the laboratories for change is fortunate. Other states would do well to let California's current experiment with lower taxes run its course before emulating it.

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The Institute for Educational Leadership (IEL) seeks to strengthen present and potential leadership in American education at the policy level of state and federal government. Established in 1971, IEL is a policy planning and coordinating agency for a number of related educational programs, including Education Policy Fellowship Program (EPFP), Educational Staff Seminar (ESS), The Associates Program (TAP), "Options in Education," a radio series over National Public Radio, Family Impact Seminar (FIS), Washington Policy Seminar (WPS), Educational Journalism Fellows (EJF), Education of the Handicapped Policy Project (EHPP), Expanding Opportunities in Educational Research (EOER), and the *Education Times* Weekly Newspaper.

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Since 1964 the program has placed over 600 mid-career persons in one year internships. Carefully selected sponsors, who pay the Fellow's salary, serve as on the job mentors by demonstrating, through their daily tasks, how educational policy is shaped at the local, state or national level. Fellows who are placed with new sponsors serve primarily at the federal level in Washington. The remaining Fellows participate on an in-service basis and remain in their existing positions, but with increased responsibilities and involvement during the Fellowship year. Weekly seminars and conferences are held for the Fellows at both the Washington, D.C. site and the eleven state sites. National meetings of Fellows with other special groups contribute further to their understanding of educational policymaking. Costs of recruitment, placement, and programs are borne by the EPF Program.

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Established in 1969, ESS is funded by the Institute and by partial reimbursement from the government agencies served. In fiscal year 1978 ESS conducted 66 programs for over 2036 federal employees.

The Associates Program (TAP)
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The Associates Program (TAP), begun in 1972, seeks to improve the educational policy process at the state level by bringing together, in informal seminar settings, a state's political leaders, educators, and executive officials to examine and debate educational issues of significance to their states.

TAP seminar programs currently operate in 31 state capitals and in Chicago and are directed by Associates who, working only part-time for IEL, arrange five to ten seminar sessions annually in each of their states.

The TAP network of Associates also provides a communication link between state and federal decisionmakers and serves as an important source of timely information on state educational policymaking.

"Options in Education"
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IEL and National Public Radio co-produce the "Options in Education" series heard twice weekly over most of NPR's 201 member stations from coast to coast. Voice of America rebroadcasts the two half-hour weekly programs, and IEL makes cassettes and transcripts available at minimum costs. "Options" has received numerous awards from such organizations as: the Association of State Education Department Information Officers (1978), The Education Writers Association (1974, '75 and '76) and the Council for Advancement and Support of Education (1974). Funds for "Options in Education" are provided by IEL, National Institute of Education, Carnegie Corporation, the Corporation for Public Broadcasting and other grantors.

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The Washington Policy Seminar (WPS) brings select groups of educators and policymakers to the Capital for three to five days of intensive exposure to the people, processes, and institutions which shape federal education policy. Speakers for the Seminar include Members of Congress, Congressional staff, senior officials of the Executive Branch, leaders of educational lobbies and associations, journalists and seasoned "Washington watchers." Funding for the Seminar is provided by IEL general support funds and reimbursement by sponsoring organizations.

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Educational Journalism Fellowships
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In four years, the Ford Fellows in Educational Journalism has enabled almost 50 reporters to conduct major national studies of important education issues. The Journalism Research Fellowship on Effective Schools has enabled reporters from different areas of the country to conduct indepth studies of the forces and factors that make some schools in their states more effective than others. The Journalism Fellowships are supported by participating news organizations, the Ford Foundation and the National Institute of Education.

Education of the Handicapped Policy Project (EHPP)
Telephone: 676-5818
The Education of the Handicapped Policy Project provides forums for the identification and discussion of issues arising from the implementation of "The Education for All Handicapped Children Act". Begun in October 1977 to keep communication channels open among local, state and federal policymakers as this major new law was implemented, EHPP has broadened the national network of informed individuals to include state and local policymakers, parents and the adult disabled, journalists, and community leaders. The Project works collaboratively with the other programs of the Institute to highlight important issues policymakers must resolve to meet state and federal mandates to educate all handicapped children.

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The eight-page tabloid newspaper, published on Monday of each week, is available by subscription at $50 for 48 issues.

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Expanding Opportunities in Educational Research (EOER), mobilizes IEL programs and resources to promote access for more *women and members of minority groups* to positions of responsibility in educational research. EOER, working with WPS, provides an intensive five-day orientation to the processes and forces that shape educational policymaking at the federal level. EOER, working with EPFP, offers fellowships to women and minority researchers, placing them with mentors in Washington and several states. And working through the TAP network, EOER provides women and minority researchers opportunities to share their expertise with state-level policymakers.

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